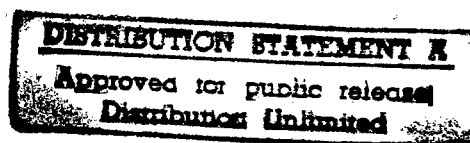




# ***JPRS Report***



## **East Europe**

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# East Europe

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## CONTENTS

7 August 1991

### ALBANIA

|   |   |
|---|---|
| Kosova Association's Program, Statute [KOSOVA 21 Jul] | 1 |
|---|---|

### BULGARIA

|  |   |
|--|---|
| Internal Conflicts in SDS Analyzed [DEMOKRATSIYA 17 Jul] | 4 |
|--|---|

### CZECHOSLOVAKIA

|   |    |
|---|----|
| Move on Slusovice Agrocooperative Causes Turmoil                              | 7  |
| Havel's Inquiry [PRAVDA 12 Jul]   | 7  |
| Its Past, Present [VEREJNOST 19 Jul]  | 7  |
| Slusovice Move Causes Disputes  | 10 |
| Interview With Chairman Cuba [RUDE PRAVO 15 Jul]                              | 10 |
| Slusovice Being Investigated [RUDE PRAVO 19 Jul]                              | 11 |
| Anti-Stealth Device Known as Tamara Described [MLADA FRONTA DNES 26 Jun]      | 11 |
| Final 1990 Federal Budget Published [HOSPODARSKE NOVINY 25 Jun]               | 12 |
| Strasky on Economic Reform, Czech Government [MLADA FRONTA DNES 3 Jul]        | 15 |
| Tax Reform Completion by Jan 1993 Anticipated [HOSPODARSKE NOVINY 20 Jun]     | 16 |
| Private Business During First Quarter Viewed [HOSPODARSKE NOVINY 20 Jun]      | 21 |
| Academy Examines Social Aspects of Transformation [HOSPODARSKE NOVINY 13 Jun] | 24 |

### HUNGARY

|   |    |
|---|----|
| T.G. Ash: 'Vanishing' of Nationalism Likely [HETI VILAGGAZDASAG 22 Jun]     | 27 |
| Kupa Declares Affinity to Spanish Socialists [NEPSZABADSAG 15 Jul]          | 28 |
| Antall's Letter to Goncz on TV Controversy [NEPSZABADSAG 13 Jul]            | 29 |
| Interior Minister's Warning on 'Extremist' Groups [NEPSZABADSAG 13 Jul]     | 30 |
| Ex-Communist Official Heads Compensation Office [HETI VILAGGAZDASAG 22 Jun] | 30 |
| Commercial Banks' 'Painful Inheritance' [HETI VILAGGAZDASAG 29 Jun]         | 32 |
| Anti-Semitic Book 'Selling Like Hot Cakes' [NEPSZABADSAG 13 Jul]            | 33 |
| Trade Union Law Both Praised, Condemned                                     | 34 |
| Independent Unions' Praise [NEPSZABADSAG 13 Jul]                            | 34 |
| Workers' Council Approval [NEPSZABADSAG 13 Jul]                             | 34 |
| Hungarian Socialist Party's Condemnation [NEPSZABADSAG 13 Jul]              | 35 |
| Exceptional Legislative Proceedings Authorized [MAGYAR KOZLONY 20 Apr]      | 36 |
| Draft Agreement With EC Committee Published [MAGYAR KOZLONY 21 May]         | 36 |
| State Accounting Office Law, Situation Discussed                            | 36 |
| Law, Parliamentary Relations Described [FIGYELO 11 Jul]                     | 36 |
| Key Legislator Explains Situation [FIGYELO 11 Jul]                          | 38 |
| Samsung Electronics To Expand, Reinvest Profits [FIGYELO 11 Jul]            | 39 |
| Japanese Investment in Biochemical Production [FIGYELO 11 Jul]              | 39 |
| Foreign Exchange Reserve Requirement Discussed [FIGYELO 11 Jul]             | 39 |
| IBUSZ Attracts Large Institutional Investors [FIGYELO 11 Jul]               | 40 |
| French Banking, Real Estate Interests Expand [FIGYELO 11 Jul]               | 41 |

### POLAND

|   |    |
|---|----|
| Issues on Border Treaty With Germany Discussed [PRZEGLAD TYGODNIOWY 14 Jul] | 42 |
| Recent Poll Reveals Apathetic Electorate [RZECZPOSPOLITA 22 Jul]            | 43 |
| PSL Congress Unites Peasants, Outlines Program [POLITYKA 6 Jul]             | 44 |
| Chairman on Election Goals, Tactics [RZECZPOSPOLITA 3 Jul]                  | 47 |
| Investigation of Interior Ministry Profiled [POLSKA ZBROJNA 21-23 Jun]      | 48 |

|  |    |
|--|----|
| Defense Budget, Training, Authority Issues Viewed [PRZEGLAD TYGODNIOWY 16 Jun] | 50 |
| Competitive Bids for Construction Jobs Proposed [RZECZPOSPOLITA 26 Jun]        | 53 |
| Report on Textile Industry Needs, Potential [RZECZPOSPOLITA 26 Jun]            | 54 |
| Difficulties Noted in Firms' Capital Spending [RZECZPOSPOLITA 26 Jun]          | 55 |
| Decline in Winter Barley, Rapeseed Harvest [RZECZPOSPOLITA 26 Jun]             | 55 |
| POLITYKA Weekly News Roundup: 14-20 Jul [POLITYKA 20 Jul]                      | 56 |
| POLITYKA Weekly News Roundup: 7-14 Jul [POLITYKA 13 Jul]                       | 58 |

## ROMANIA

|   |    |
|---|----|
| Government Spokesman on Anti-Semitism, U.S. Ties [ROMPRES]          | 60 |
| Former Iliescu Rival Mazilu Appears at Roundtable [Bucharest Radio] | 60 |
| Foreign Ministry 'Welcomes' Soviet-U.S. Treaty [ROMPRES]            | 60 |
| European Bank Loan for Energy Sector Restructuring [ROMPRES]        | 60 |
| EEC Grants Aid in Health, Technical Areas [ROMPRES]                 | 60 |
| Government Meeting Examines Flood Toll, Pensions [ROMPRES]          | 61 |
| Draft Law on Privatization [ADEVARUL 16 Jul]                        | 61 |

## YUGOSLAVIA

|  |    |
|--|----|
| Policy Failures of Serbs in Croatia [DANAS 23 Jul]                     | 65 |
| Croatian Government Adopts Law on Full Powers [TANJUG]                 | 68 |
| Situation in Republic of Macedonia Analyzed [NEDELJNA BORBA 27-28 Jul] | 68 |
| Bosnia-Herzegovina Ministry on Mobilization [Sarajevo Radio]           | 71 |
| Sarajevo TV Forced To Transmit Belgrade TV [TANJUG]                    | 71 |
| Peace Movements, Protests Growing [TANJUG]                             | 71 |
| Slovene Opposition Scores Economic Policy [NEODVISNI DNEVNIK 23 Jul]   | 71 |
| Bank Governor Arhar on Financial Autonomy [NEODVISNI DNEVNIK 15 Jul]   | 73 |

**Kosova Association's Program, Statute**

*AU0208094091 Tirana KOSOVA in Albanian 21 Jul 91  
pp 4-5*

["Text" of "Program and Statute of the Kosova Patriotic and Political Association" issued in Tirana 9 June]

[Text]

**I**

**Program**

1. The Kosova Patriotic Association is an independent organization of free citizens living in Albania. It has a national, democratic, and progressive character in its efforts to promote what belongs to the entire nation—the unity and progress of the Albanians wherever they live, in Albania, in Kosovo, other areas annexed by neighboring states, and among the diaspora in different countries of the world. It subordinates everything else to this fundamental cause.

2. The Kosova Association does not struggle for power, but supports the policy of the state, parties, and all other bodies within the country or abroad that support the Albanians' pan-national unification and progress.

The association works toward making the Albanian state a factor supporting the just solution of the destiny of the Albanian lands annexed by neighboring states.

In accordance with this aim, the association, even though it will not be an independent electoral participant, will work for the victory of the party that agrees with these aims. At the same time, it works to eliminate all factors that present obstacles to the realization of this aim of Albanians within the homeland and abroad.

3. The association does not involve itself in narrow sectarian, religious, regional, or party rivalries for power. The association aims to eliminate all divisions, disruptive arguments, or party struggles for power that are to the detriment of the unity of the homeland, the nation, and all Albanians.

Its aim in its work is to ensure that not only its goals but also the ways used to attain them will be fair and just.

4. The association will urge the construction and functioning of the state and life in Albania on the basis of the principles of democracy and the laws of contemporary science.

The association opposes the one-party system and isolated and autarchic development. It encourages pan-national unification on peaceful and democratic paths through political means and with dialogue among all interested parties, in accordance with the basic documents of international justice (the UN Charter, the Helsinki Final Act, the CSCE documents, etc.), without violating the democratic processes taking place in the Balkans, Europe, and beyond, and without destabilizing normal relations with neighboring states.

5. The association is in favor of full rights for the individual and the national community and of national sovereignty.

It is in favor of freedom of thought, speech, and the press, and supports the spread of information and the distribution of Albanian (or foreign) newspapers and publications, regardless of whether they are published within or outside the homeland, so that a common, all-Albanian cultural and spiritual area may be created.

The association will propose the publication in Albania of major academic studies about Kosovo and the Albanian diaspora, especially when they serve national unification.

6. The association considers the replacement of the one-party system with a multiparty system, the replacement of monism with pluralist democracy, the creation and operation of the rule of law, development according to the laws of contemporary science and technology, and the development of education, science, culture, the economy, etc., not as final goals, but only as the fastest roads toward the Albanians' pan-national unification.

7. The association works to enable the process of democratization to make the artificial borders that divide the nation invisible and indistinguishable.

At the same time, the association encourages pan-national integration through the integration of culture and economic development and the urgent establishment of the closest possible ties among parts of the nation in these fields, so that a single Albanian state may be most easily achieved by peaceful means.

8. The association, on the basis of the fact that nothing does more to stifle freedom than lack of national unity and progress, will work to overcome this obstacle to freedom.

At the same time, bearing in mind that economic poverty causes internal social, ethnic, religious, and regional conflicts and divisions, the association will work to overcome these factors.

9. Under the nation's present conditions and in order to promote its unity and progress, the association will oppose any separation of or conflict of interest between the goals of economic and political and national development, thus assisting in overcoming all kinds of individual and national depersonalization.

10. The association considers that, from the time when the nation was formed down to the present day, the national cause has been the primary problem requiring solution, and the greatest social issue for all strata of Albanian society whether in Albania, Kosovo, or other areas annexed by neighboring states. This cause has always existed and will continue to exist as long as it is unsolved. The association therefore demands that all Albanian social strata should pursue a single policy to solve it fairly and fast.

11. Faced with the fundamental interests of the nation and scientific truth, the association recognizes no taboo

subjects, fetishes, myths, or cults of personalities, parties, or currents of thought, whether past, present, or future.

The association will support, affirm, and further develop everything positive that has existed in the past and exists today, at home and abroad, to the benefit of the nation, Albanians, and the whole of mankind.

As part of its patriotic, national, and democratic character, the association will make efforts to recognize and properly make use of both allies and opponents of national unification.

12. At home, the association will study demographic and ethnographic problems and the development of folklore and other changes among the people coming to Albania from Kosovo and other Albanian areas of Yugoslavia.

The association works to preserve and develop the distinctive character of the Albanians' national culture, both within and beyond the homeland.

13. The association supports and defends by all legal ways and means the democratic and national rights of Albanians in Yugoslavia and elsewhere.

14. The association maintains ties with, serves, and is assisted by Albanians and their associations wherever they may be.

It supports progressive Albanian and non-Albanian public opinion, within and beyond the homeland, in its struggle against chauvinist, terrorist, racist, antinational and antidemocratic organizations and propaganda.

15. The association communicates with the public through various media and through its own press organ, the newspaper KOSOVA.

The newspaper may be copied faithfully (without changes) at home and abroad by permission of the editorial board and with the payment of a percentage of the profits from its sale, the sum to be considered reasonable by the republisher.

16. For the realization of its program, the association relies primarily on the work and aid of the association's members themselves and its supporters at home and abroad. Their patriotism is the most weighty factor in the accomplishment of the association's tasks.

The society obtains resources for its work from the membership fees of its members and other legal sources.

17. The association carries out its activities and works within the framework of the Albanian pluralist system, the constitutionality of the law-governed Albanian state, and the main documents of international law.

18. The association carries out its activity throughout the territory of Albania. It is based in Tirana.

19. The association has its own seal, symbol, and current account.

## II

### Statute

#### Article One

All Albanians (whether citizens or not) resident in Albania who accept the association's Program and Statute and carry out their obligations, regardless of their party political allegiances, may join the Kosova Patriotic and Political Association. Those joining the society must be over 16 years of age.

People who inspire or commit undemocratic, terrorist, fascist, or racist acts or other acts that lead to national division and are against the nation's progress cannot join the association.

#### Article Two

Members must be characterized by a spirit of tireless labor, determination, and consistency in pursuit of pan-national unity and progress. Patriotism will be a characteristic that the association will continually cultivate.

#### Article Three

The applicant's signature on the membership list, by which he states that he accepts the Program and Statute, suffices for admission to the association. Applicants may also be admitted by special application to the branch or sub-branch formed at his place of residence.

Applications are approved when entered in the association's general register by the presidium of the relevant branch or sub-branch.

#### Article Four

In cases in which a member of the association commits acts that seriously violate the principles of the Program and Statute or when he fails to pay his membership fee for six months, his membership of the association is canceled. Cancellations are considered on an individual basis by the presidiums of the relevant branches and sub-branches, and the person concerned is informed.

#### Article Five

Members of the association have the following duties:

1. To act on the association's program and statute.
2. To act in accordance with the Constitution and other laws of the law-governed Albanian state.
3. To adhere to a branch of the association and to pay the membership fee of one lek per month regularly.

#### Article Six

Members of the association have the following rights:

1. To take part in the general meeting of the branch or sub-branch and to express their views freely there.
2. To elect and be elected to the presidiums of the branch, the sub-branch, or the association.

3. To take part in the activities of one of the branches and [line dropped in original] which the presidiums of the association, the branches, and sub-branches give once a year.

4. To represent the association with the authorization of the relevant presidium.

#### Article Seven

The association is organized on a territorial basis with branches and sub-branches in villages, towns, and districts. The association's sub-branches are united in the district branch. There can be no more than two branches in one district.

#### Article Eight

Branches and sub-branches carry out the association's program in the territory in which they are created. To control its work, each branch or sub-branch creates a three to five-member presidium elected every two years by a majority of votes of the members concerned.

#### Article Nine

The association's presidium consists of between five and seven members. It elects the presidium chairman and secretary. The presidium is elected every two years by the association's assembly. Honorary members may also be admitted to the presidium.

The association's presidium meets at least six times a year at the summons of the chairman. The presidium delegates at least two of its members to deal with financial problems.

#### Article Ten

The association's presidium directs and represents the association in all its work at home and abroad.

The association's presidium controls the activities of the presidiums of the association's branches and sub-branches and ensures that their activities conform with the Program and Statute. It controls the association's income and expenditure and matters relating to them.

#### Article Eleven

As occasion demands, the association's presidium also conducts business through open public meetings, letters, protests, greetings, and statements as it considers necessary.

#### Article Twelve

The association's presidium approves the publishing council of the association's newspaper. The newspaper's editorial board and publishing council are elected or dismissed by a majority of votes. The chief editor and chairman of the publishing council are non-voting members of the association's presidium.

#### Article Thirteen

The assembly is the association's highest authority, and consists of the association's presidium and the chairmen of the district or town branches.

The assembly meets at least every two years at the summons of the association's presidium.

#### Article Fourteen

The Program and the Statute are approved by the Founding Assembly of the Kosova Patriotic and Political Association and come into effect immediately.

Tirana, 9 June 1991.

### Internal Conflicts in SDS Analyzed

91BA0937A Sofia DEMOKRATSIYA in Bulgarian  
17 Jul 91 p 5

[Article by Mikhail Nedelchev, jointly published in VEK 21 and DEMOKRATSIYA: "Confusion Within the Opposition or the Limits of Opposition"]

[Text] It is time to recall that the first debate held by the Radical Democratic Party after its restoration was titled "Against Partisanship in Our Political Life." No great perspicacity was needed to believe that this was truly a major threat to the new Bulgarian democracy. It was simply necessary to abandon partisanship in advance and to proclaim one's rejection of it, and to call upon the other members of the opposition to do the same. Our appeal was received with either puzzlement or mockery. However, the impudence of some of our colleagues in the opposition led them to justify their party, personal egotism, and manifestations of gross partisanship with qualifications that put us in a bad light, and that they, the noble democrats, felt the need to oppose. This substitution of values is more dangerous to the opposition than organizational spontaneity and the raggedy variety of opinions and views. Myths are being promoted in order to present in a good light precisely the new, the young partisans, and to discredit politicians who simply base their actions on ethical principles. I am not speaking here of the restorative ambitions of members and leaders of organizations who tragically experienced decades of totalitarianism as members of the opposition after 9 September. I am referring to newly founded parties and organizations that claim to have adopted a modern political philosophy. I shall not discuss whether some of their leaders were or were not members of the BCP [Bulgarian Communist Party]. In our case, this is not the most important thing. It would be more interesting to see how they are trying to present themselves as the real and sensible opposition, and the way they are trying to imitate those in power through permanent and obviously bought (not with cash but with lobbying services, naturally) statements made on television and radio. The myths they are throwing at their opponents in today's opposition are presented as something that separates us but does not pit us against one another; it is being insinuated that some people are simply extreme while others are moderate. Well, my basic charge is that those who present a seemingly face to society are just as frenziedly aspiring to power without having an ideology and clear government, economic, cultural, and other principles—simply trying, alone or in small groups, to have the power. It is to this effect that they created opposition groups without being interested in the way of life of such groups or their organizational and intellectual life, and without caring about the political views held by their local organizations, clearly making use of the leadership positions they have assumed in order to be able to rule, on the high levels of social management. These people, who only yesterday were our allies, quite rapidly developed the feeling that they were irreplaceable and unchangeable and that, without them, democracy would

perish, for which reason they are blocking any democratic procedure that would call into question their opinion of themselves. To avoid any misunderstanding, I am referring to the atmosphere within the Green Party, the Federation of Clubs for Democracy, and the so-called Ecoglasnost Political Club. (The authoritarian and even dictatorial relations with the BSDP [Bulgarian Social Democratic Party] are a different topic.) It is obvious that, in order to conceal all of this, one must depict the others who are simply members of the opposition and not the pseudo-opposition, making a career under the new conditions, similar to those of the communists, in an adverse light, as insensible and hysterical people and nervous intellectuals with no practical skills, slaves of archaic ideals (it is very easy to label them monarchists).

Following are three mythological schemes that illustrate what I have said so far:

#### 1. The myth of the "revolutionaries" and the image of the members of parliament.

And so, we are the "revolutionaries," and we are just a step from being proclaimed Bolsheviks. Intoxicated, journalists and politicians, ranging from Dragomir Draganov to Aleksandur Karakachanov and from Rumen Dimitrov to Yuriy Borisov, are insinuating that the really identifiable opposition within the SDS [Union of Democratic Forces] is in a revolutionary mood and is acting with the unanimity of a Red Army detachment. No, gentlemen. It is simply you who are creating the appearance of such unanimity by the fact that you neither were nor any longer are members of the opposition. What is the difference between your peaceful views and the fearful hysteria in Prodev's DUMA, where what is meant by the myth of blue revolutionaries and blue revolutionism are arson, robbery, and destruction. Our revolutionism, our gentle revolution is not physical. It does not kill anyone or destroy any material object (excluding, perhaps, some tall monuments). It did not kill anyone or destroy anything in Czechoslovakia or the GDR; it suffered losses only where it clashed with totalitarian and communist empires—in Lithuania and Estonia, in Slovenia and Croatia. Nowhere in those countries or in our own did democratic forces and movements trigger terrorist licentiousness or use violence. The gentle revolution is and must be a revolution in the social and individual mind, the destruction of and freedom from social fears and the blocking of psychomotor mechanisms that once again could make the individual the prisoner of authoritarianism. (For example, I, personally, Mikhail Nedelchev, deputy representing the Second Burgas Multiple-Mandate District, rebelled against the gross paternalistic authoritarianism exerted by Dr. Petur Dertliev in the Parliamentary Union of Democratic Forces. It probably suited Vladimir Sotirov and Georgi Avramov to find a social democratic father.) We despise those who manipulate the conferences of their own organizations, who select those who attend them, who expel those who are inconvenient, and who fear meetings with all of their supporters. We despise the apparat-type participation in and

leadership of the newly created political organizations. As to parliamentarism, let us not even mention it. It has clearly become obvious to the entire Bulgarian citizenry. Our parliamentarism lies in the vocal and categorical distancing of ourselves from the communists in terms of mentality, from their ponderous gestures and their champagne-smelling kisses.

## 2. Power? Yes. But to what purpose?

"The objective of any political organization is to promote the well-being of its members," said a Green Party deputy on Bulgarian Radio. This led to various interpretations. But then, is a gang of thieves not the best type of organization for ensuring such well-being? And, if such is the case, why should we not all join the BCP? It was precisely the BCP that generously promoted the well-being of its members. The purpose of a democratic political organization is, obviously, different. And I both believe and know that the hundreds of sympathizers of the Green Party, the Clubs for Democracy, and Ecoglasnost do not in the least profess such a base political philosophy. I know quite well that their involvement in such modern Bulgarian political organizations means more than anything else deprivation, work, stress, and sleeplessness, rather than well-being. As to who assumes commitments and power responsibilities, this becomes a question not of making various combinations but of a complex correlation among wishes, assessments, political supremacy, and so on within a society. Those who are today described as "revolutionaries" also received offers to become part of the ruling power (ministers, ambassadors, and so on). However, they preferred precisely to remain a unified parliamentary group, albeit at the cost of a firm confrontation, simply because in Bulgaria the opposition has not yet completed its work of achieving a sociopsychological breakdown, and of helping the people to leave behind their historical non-being caused by their fear. It is base for the new leaders of so-called democratic and modern political formations to rely precisely on their ability to turn the fear of totalitarianism into slavery to the fast, efficient, television-recreated authoritarian personalities and authoritative parliament members and fighters for democracy, and democrats who become authoritarian the moment they get hold of a car.

To such harsh accusations I should add additional motivations. One may suffice—an excerpt from Circular No. 1 of the Green Party Bureau, dated as early as 10 September 1990, in which we read the following:

"Fellow Party Members:

"Our entire past experience, as well as the study made of the political situation in the country, has led us to the conviction that the following is absolutely mandatory:

"(1) To ensure the participation of a maximal number of your representatives in all provisional managements on the territory of your municipality.

"(2) To pave the way for the nomination of your candidates for mayors and for as many municipal councilors

as possible. This must take place regardless of their number and means of their selection, which will be determined later.

"We believe that, in the implementation of these tasks, the supreme motivation must be the interest of democracy and its guardian, the Green Party, and not a consideration of unscrupulous combinations made by organizations with which you are familiar, within the SDS, whose purpose is to take complete possession of Bulgaria."

Such a document is not even worth interpreting. The bad thing is that it started with a small group in Sofia, and its sick ideas are turning into a social practice and thus compromising the actions, enthusiasm, and oppositional dedication of the members and supporters of the attractive Green Party throughout the country.

A drastic method was used to combine these myths within the political declaration announcing the creation of the SDS-Center:

"Today, when the struggle for democracy is entering its decisive stage, the unity of democratic forces is threatened. The vestiges of the old organizations and the newly established factions and movements of the former Communist Party have penetrated the ranks of the SDS. Their extreme actions are turning away the sympathies of many well-intentioned Bulgarians and slowing down democratic changes in the country, which are expected with hope by the entire nation. They are thus helping the past and present leaders to protect their organizations, to continue the plundering of the people's property, and to keep themselves in power.

"Of late, initiatives have been launched to convert the SDS into some kind of impersonal movement, thus enabling a group of aggressive people to manipulate the organization."

Again, no comment.

The lack of democratic mechanisms for feedback to the membership mass ensures, for the time being, the impunity of such an irresponsible movement within the political area.

## 3. I am a liberal. (Where is my ideology?)

It is again those same small groups of self-appointed leaders (who constantly argue about who precisely founded the SDS) who are engaged in the comical game of appropriation of ideology. Inasmuch as social ideology is clearly and lastingly taken over by the BSP and the BSDP, and because conservative ideology triggers negative associations in the awareness of the public and is somewhat unclear, liberal ideology remains the most attractive. As a liberal group, ever since it was founded at the turn of the century, the Radical Democratic Party would not oppose the broadening of liberalism spiritually and in practice. Unfortunately, once again here the question of self-seeking appropriations arises. The Federation of Clubs for Democracy apparently intended to



become a liberal party, and very highly placed personalities in the state are already presenting it abroad as being such. The Green Party would not like to be left-of-center in political life, and, to the distress of European liberals, conservatives, and...other Greens, it also is proclaiming itself liberal. Well, gentlemen of the Green Party, you have rallied your supporters around the Green and not the liberal idea. Did you ask them whether they wanted that change?

The infantile and arrogant statements concerning a liberal SDS are unprincipled, without any intellectual substantiation in their self-definition and agreements. With this kind of liberalism, we shall forever remain in the muddy swamp of posttotalitarianism. Gentlemen, we shall not allow you to interfere with the building of a democratic Bulgaria through undemocratic partisan means. The charisma exists only if the charismatic leader is accepted.

## Move on Slusovice Agrocooperative Causes Turmoil

### Havel's Inquiry

91CH0745A Bratislava PRAVDA in Slovak  
12 Jul 91 p 1

[Report by CSTK, Prague: "Havel Inquires About Slusovice"]

[Text] CSFR President Vaclav Havel yesterday invited to Prague Castle CSFR Prosecutor General Ivan Gaspárovic for a consultation. The president asked him for information concerning the case of registration of the DAK MOVA of Slusovice at the District Court in Bratislava after the Provincial Court in Brno had denied such registration. The prosecutor promised a thorough investigation of that case and will submit in a few days a report on the legality of both court actions.

### Its Past, Present

91CH0745B Bratislava VEREJNOST in Slovak  
19 Jul 91 p 3

[Article by Juraj Gressner: "Do Miracles Occur but Once...?"]

[Text] Tonnes of paper have been covered with stories about Slusovice, a small village in the Valassko region. Even more discussions focused on it both in the positive and negative sense of the word. It became legendary and its reputation reached beyond the borders of our republic....

Over the preceding 15 years I visited Slusovice on at least twenty occasions. I watched crowds of people from all of Czecho-Slovakia as they stepped out from hundreds of buses and passenger cars and literally rushed into local stores which in those days were stocked with exclusive foreign merchandise. As many as 40,000 individuals came to attend the Slusovice horse races and admire not only the fast horses but also the accompaniment—the majorettes, parachutists, singers, popular music, exhibits of livestock and mostly also of various communist officials who added luster to such occasions. Those festivities impressed lasting memories on thousands of visitors of Slusovice. For their organizers—the Agrokombinat JRD [unified agricultural cooperative]—they served as splendid advertisement.

However, one did not go to Slusovice only for fun and shopping. Hundreds of experts came to "get some horse sense" in scores of local plants, and when they were saying goodbye to local residents, they would shake their heads with envy. Many of them could not understand how it was possible that such a colossal enterprise unequaled in the entire Czechoslovak agricultural system could be built up in a small Valassko community under a degenerate totalitarian system. Some people thought that the leadership of the JRD AK had some "mysterious" ties with the leading representatives of the Central Committee and government who sponsored the

Slusovice "miracle" and permitted it to engage in operations for which others would be in danger of imprisonment. Others listened to local residents and believed that the tangible results stemmed from the work of the genius of the JRD AK's chairman, university lecturer Eng. Frantisek Cuba, several other smart experts and the perfectly planned organization of labor which put the main emphasis on professionalism and labor discipline.

The stories about the potential for self-realization in every possible and impossible position were literally turned into legends about the comings and goings of hundreds of employees, some of whom had found here their place in the sun, while others had failed. Those who stayed praised loudly on every occasion their good wages and other benefits which never were in short supply, such as trips abroad for study as well as recreation available to adults and children, and other social advantages.

Slusovice became a concept, a source of envy as well as of gossip. Nevertheless, that did not dismay the members of the local cooperative. On the outside, it seemed to stimulate them even more to further ventures where agricultural operations amounted to only about seven percent but were carried on because they were essential. The amazing profits were derived from other undertakings. In 1989 the outputs of the JRD AK in Slusovice equaled 6.29 billion korunas [Kcs], and profits about Kcs800 million. Those figures were enough to make most chairmen of our unified agricultural cooperatives and state farms dizzy.

### After November 1989

Our gentle or velvet revolution should have turned into a watershed for the Slusovice agricultural complex and pushed it even further ahead. That was the opinion of experts as well as laymen because in Valassko—unlike in our other regions—they already had gained ample experience with the implementation of market economy methods. However, everything began to turn out differently.

After November 1989 rumors started spreading from Slusovice that the management of the Cooperative Agrokombinat adopted if not a negative, then at least a standoffish attitude toward the political and social changes taking place in our country. It was alleged that it incited conflicts. Some employees who had taken over the leadership of the Civic Forum started to blame for it the heretofore "untouchable" chairman of the DAK, university lecturer Eng. Frantisek Cuba, and some of his colleagues. The case of Stanislav Devaty, a former Charter 77 spokesman expelled from the agricultural cooperative by DAK members, was aired. And suddenly the interconnections of the agricultural colossus with the old communist structures became the topic of public debates in Slusovice.

It is indisputable that President of the CSFR Vaclav Havel made a remark about the "Slusovice mafia." Stanislav Devaty, a deputy of the CSFR Federal Assembly, Bohumil Kubat, the Czech Republic minister

of agriculture, and others who took potshots at the DAK in Slusovice added oil to the flames. And the consequences? The long-term chairman of the DAK, university lecturer Eng. Frantisek Cuba resigned his office and thus, he set off a bomb that exploded. The agricultural colossus began to break down...

That came as a surprise to many people, but former managers of the DAK deny it because the decentralization of the cooperative had been planned even before November 1989; the intention was to divide the cooperative into microstructures which would be further divided into plants, service stations and such, and naturally, endowed with appropriate authority. There were even considerations that the employees of the DAK would be able to lease some of them....

An overwhelming majority of Slusovice residents to this day insist that everything could have turned out differently were it not for a few ambitious "troublemakers" who sensed their opportunity and wanted to lead the DAK in the changed political and social conditions, and were it not for the support from the Castle and the Civic Forum... It is a fact, however, that late last year members of the cooperative in Slusovice held meetings to determine the fate of their agricultural enterprise. At that time it was already clear that the agricultural colossus would break apart and divide into several smaller enterprises.

Cuba's opponents were shocked when more than 4,500 members of the cooperative came out in support of the former chairman. Then they organized the Cooperative Agrokombinat MOVA in Slusovice and through their leadership they applied for its registration at the Provincial Court in Brno.

"We submitted complete documentation to the Regional Court," says university lecturer Eng. Frantisek Cuba. "We discussed everything with the Czechoslovak legal experts and so our conscience was clear. Nonetheless, the registration was denied in Brno twice, both times on the grounds that some documents were lacking and others had to be verified.... In the end we decided to apply for registration in Bratislava. After all, our employees could not go on living in uncertainty for long months and we wanted to start business."

Early in June of this year the Municipal Court in Bratislava registered the DAK MOVA in Bratislava. Some weeks later the DAK START also made the "move" from Slusovice to Slovakia—specifically, to Trenčín....

#### What Does the Opposition Think?

"The former DAK in Slusovice broke apart because the strategy of the cooperative had failed," says Eng. Miroslav Kubik, director of the DAK enterprise in Slusovice (the future Agrocooperative). "In the past five years investment construction was rapidly expanded, alas, mostly in the nonproduction sphere. Obligations and debts were piling up. Every year in the spring the enterprise used to settle such obligations, but in 1990

that was no longer possible. Lecturer Cuba had to apply to the investment bank in Ostrava for a credit of Kcs400 million...."

Eng. Miroslav Kubik, DAK's former deputy chairman, has some other arguments handy. He talks about the foreign trade fiasco and the bankruptcy of the machine engineering production which caused the "dreadful" economic results of 1990.

"The situation in which we have found ourselves is best confirmed by the fact that today about 1,200 Czechoslovak enterprises are making financial demands on us," the "opposition" director notes bitterly, his heart heavy because of the way the cooperative was managed particularly by university lecturer Cuba.

"Although our enterprise was declared decentralized, Cuba held everything in his hands. He was a different man than in 1970 or 1980. Fame had turned his head and he became intoxicated by all the power he held in his own hands."

Over the years whenever I visited Slusovice I used to hear all of the managers without exception boasting about their great power, about making their own decisions in their places of work, and about their only (and primary) duty, which is to ensure their prosperity, that is, profit....

"That is true," Eng. Miroslav Kubik agreed, "but in the final analysis, every decision was made by university lecturer Cuba!"

I shake my head in disbelief: Could one manager, no matter how ingenious he may be—namely, the DAK chairman—supervise every single one of the more than 50 enterprises of this agricultural giant? In my opinion, he could meet with all directors maybe once in three months. Thus, can he alone be responsible for the DAK's crisis and for the poor economic results in 1990?

"At a meeting in 1989 lecturer Cuba declared that as of that moment, he would begin to look out first of all for himself," Eng. Miroslav Kubik continued. "And so he did—he founded the MORAGRO association and other managers of DAK followed his suit. Private corporations were organized on the ground of Slusovice, and their chiefs launched new business ventures. For example, when the director of a transportation enterprise became the owner of a private transportation corporation, guess where the profits went. Obviously, into private pockets. I call that a legal drain of profits! By mid-year we had a whole lot of such private corporations which stole big profits from the cooperative."

However, the director, Mr. Kubik, did not even mention his current colleague, Engineer Pochyla, who during the same period purchased for over Kcs200 million electronics that had not been produced in Slusovice for three years. Neither did he mention other transactions of which university lecturer Cuba had not known and which caused the DAK considerable losses.

### The "Slovaks" of Slusovice

"I have been maligned that I am Cuba's ally," says the chairman of DAK START in Trencin, Eng. Emil Filipec. "There are allegations that I was in collusion with him to break down the DAK. That is not true. Look here, I never was a Central Committee member, and yet university lecturer Cuba gave me a chance to prove myself; I made the best of it during the ten years of my employment in the DAK. That is why I respect him and will cooperate with him even after our giant cooperative breaks apart."

Other employees of the DAK START share the same view. They insist that uncertainty and anxiety prevail in all the satellite cooperatives with the exception of the DAK MOVA and the DAK START, and therefore, people are leaving. That "bugs" their representatives who foment hostility in Valassko against the above-mentioned enterprises which now are already "Slovak."

"In the past, as a deputy in Slusovice, I openly fought against the communist practices of the former regime," Eng. Emil Filipec continues. "But after the November revolution when I exhorted our fellow citizens to act responsibly and honestly, I was relieved of my mandate as deputy...."

In the Trencin DAK START in Slusovice we spoke with world-famous university professor Peter Popescu, now press spokesman of the DAK MOVA and DAK START. He told us about a recent case when a consortium of Austrian banks was willing to grant Slusovice a loan of \$1 billion payable over twelve years, and what is more, it offered excellent conditions—a 7-percent interest. The DAK intended to invest those funds into breweries which would export canned beer to the Soviet Union. The DAK MOVA also intended to expand the McDonald network all over Czecho-Slovakia. However....

"Someone in Prague denounced us as having 'laundered' money and thus, Interpol got involved in the case. Although this egregious slander had not been confirmed, the whole transaction fell through," Professor Peter Popescu sadly noted.

It is an indisputable fact that over the past twenty years the main concern in Slusovice was entrepreneurship whose methods were not customary in our country and with which few people in Czecho-Slovakia were acquainted. Their results appeared not only in the form of profits but also in other ways. The Slusovice citizens "took the liberty" of setting up a social program that Tomas Bata himself would envy! They organized a health services complex with sports arenas and an exclusive hotel in Vsemin, a race track, stores, restaurants, cultural and public facilities. They provided care for their employees, their children as well as retired people and sent them to places of recreation in our country and abroad. They invested extensive funds in the development of communities in which they operated. Is all that gone with the wind?

### Peace to People of Good Will

Due to circumstances, Slusovice still is "under a cloud" because one agricultural giant has fallen apart and other local enterprises and organizations are going bankrupt as well. People began losing their jobs and are pessimistic about their future....

"Of course, the current situation terrifies many residents of Slusovice," mayor of Slusovice, Eng. Ladislav Novotny, told us. "In the past the agrocooperative helped our community tremendously, as confirmed by both its appearance and especially the living conditions of the residents. We shall see what happens in the near future.... As for the registration of DAK MOVA and DAK START in Slovakia, I think that is not the final solution."

Cuba has today the support of about 4,500 members of the cooperative—Filipec of about 1,200—of an overwhelming majority of the original DAK in Slusovice. Most of them also believe that everything will turn out well, although probably no one expects another "Slusovice miracle" anymore. Therefore, they received the registration in Slovakia with relief, albeit without enthusiasm, but probably with satisfaction that the time has come for real, diligent and purposeful work, which is the only thing that can bring about a turn for the better; that the debts will be repaid and that profits will be coming in again and safeguard their social and other securities.

As it seems, someone (who?) does not relish the new situation. The "Slusovice mafia" is the target of merciless attacks by newspapers, magazines as well as from the highest places....

"We are right," states the director of DAK (Agrocooperative), Eng. Miroslav Kubik.

"We need peace at long last to do our job," says university lecturer Eng. Frantisek Cuba. "We went to Slovakia with the best intentions and efforts to engage in trade and entrepreneurship. I am glad that the prime minister of the Slovak government, Dr. Jan Carnogursky, understood that. We discussed together frankly all those problems in Bratislava Monday 15 July."

### Postscript

"Back in the era of communist totalitarianism, everyone was astonished when lecturer Cuba hired experts—expelled members of the Central Committee," we were told by Eng. Milan Krcma, the manager of the District Husbandry Enterprise in Zlin. "Now when he hired three former state police officers, it caused an uproar.... However, I think that if any of the divided cooperatives can survive the current crisis, it will be precisely the DAK MOVA in Bratislava and the DAK START in Trencin because that is where most of the best employees still are."

Automobiles with all kinds of license plates are driving around Slusovice. Local citizens are sure that those are various auditors who are supposed to reveal the shady practices of the former DAK management, that is, of the

so-called "Slusovice mafia." We shall see.... Last Sunday at the races in the local race track people seemed calm. Could it be the first sign of consolidation and also of new incentives? Of getting to work and showing for all the world to see that the professionals—Moravians, Czechs, Slovaks, Hungarians and Poles who worked in Valassko—were behind the past accomplishments of the agricultural giant? Let us wait a while and instead of suspicions, let us give them a chance to show what they can do. I admit that I do not care whether it will happen in Slovakia, in Bohemia, in Moravia, or in Silesia. The main thing is that it will happen in our country—in Czechoslovakia!

### Slusovice Move Causes Disputes

#### Interview With Chairman Cuba

91CH0746A Prague RUDE PRAVO in Czech 15 Jul 91  
p 2

[Interview with Frantisek Cuba, chairman of the DAK MOVA of Bratislava, by Pavol Minarik; in Bratislava in July: "Once I Pass the Crossroads, I Never Turn Back"—first paragraph is RUDE PRAVO introduction]

[Text] A month ago the MOVA cooperative agro-conglomerate was registered in the capital of the Slovak Republic. Thus, the DAK MOVA of Slusovice turned into the DAK MOVA of Bratislava. We spoke recently with its chairman, Frantisek Cuba, in that company's headquarters, a nice two-story residential building in Bratislava's Prievoz.

[Minarik] What is your opinion about the attempts to turn Czechoslovak agriculture back 40 years?

[Cuba] I think that the names of all who are trying to do so should now be made public because after a while none of them would want to account for the losses he had thus caused. Incompetent management has done enormous damage to our agriculture. However, this incompetent approach will cost our whole republic and every citizen many billions of korunas. For example, because enterprises cannot meet their payroll they are forced to sell their products far below cost and those goods are then shipped abroad at low prices. However, the low prices of those exports are not based on prices prevalent abroad. That is not the reason, but rather foreign entrepreneurs and merchants are aware of the situation in our country are free to impose unusually low procurement prices. I can mention to you an example: The average selling price of one kilogram of beef in the West is 3.5 German marks [DM], but they are buying it in our country for DM0.6.

[Minarik] How long do you expect this situation to last?

[Cuba] I am not sure; that will be determined by appropriate higher agencies; however, they themselves have caused that situation.

[Minarik] How do you view the planned change of cooperative agriculture into private farming?

[Cuba] I think that it is correct for owners to manage their farms. But while the relations of ownership are

being restored or established, cooperatives should not be broken apart at any cost. It would make no sense to turn back our agriculture scores of years and then to try to catch up, let us say, with agriculture of Austria or Germany which are now far behind us. It will be better if we follow American farming which in terms of technology is closer to our agriculture. The best possible conditions for that must be created. I agree that if anyone wants to manage privately his lands, they should be returned to him and he should be given opportunities to do so. Nevertheless, it would be wrong to turn most agricultural enterprises by force back to the situation of 1948.

[Minarik] In conjunction with the registration of the DAK MOVA in Bratislava some Czech newspapers wrote that the laws are respected better in Slovakia than in Bohemia. Is that true?

[Cuba] First of all, the law on registration was disregarded. The economic law stipulates precisely the conditions which an enterprise must fulfill in order to be registered. We did fulfill them and yet the registration was twice unjustly denied to us. Now we filed a complaint with the Czech Republic [CR] Ministry of Justice against the denial by the registration court in Brno, because its procedure had caused considerable losses to our enterprise.

[Minarik] If the decision on your complaint is in your favor, will you renew your registration in Brno?

[Cuba] No. Once I pass the crossroads, I never turn back.

[Minarik] Many people think that your relocation to Bratislava was your only way out....

[Cuba] Two years ago, when our cooperative was earning about 7 billion korunas [Kcs] annually, we already were thinking about staking out new areas for our entrepreneurship. We wanted to move as close as possible to the Morava River because we planned with cheap river transportation for the future. We considered the vicinity of Brno and Breclav; in addition, we intended to build there our own air base. Furthermore, we planned a good link-up with Vienna and to that end we wanted to make good use of contacts of foreign trade enterprises in Brno. When that failed to pan out in Brno, the opportunities offered to us in Bratislava were very favorable in every desirable way.

[Minarik] How have the rank and file members of your cooperative reacted to the change of your company's name? Does it not bother them that now it is a Slovak enterprise?

[Cuba] That fact has not generated any negative attitudes. No so long ago we employed quite a few people in our electronics production where about 50 percent of our employees were Moravians, 20 percent were Slovaks, 16 percent were Czechs, and the rest were Hungarians and Poles. Consequently, the Slovaks always constituted a considerable share of our employees. Fundamentally, our character was always universal, international, and

obviously that is the reason why today it does not bother anyone that we are a Slovak company.

[Minarik] You founded the Moravian Bank in Slusovice. Will you register it in Bratislava as well?

[Cuba] Yes, we will.

[Minarik] Our press keeps writing that your registration in Slovakia will cost the Czech Republic considerable financial funds you used to pay in the past as tax on profits...

[Cuba] At this particular time about 30 percent of all goods in the world are produced by transnational organizations whose headquarters are in one country and their manufacturing facilities, let us say, in ten other countries. Therefore, it is a commonplace practice for primary income to be paid to the treasury of that state where the company is registered.

[Minarik] What plans do you have for Slovakia? Will you expand your operations? Will your presence in Bratislava also mean new job opportunities in the capital city and its environs?

[Cuba] By September of this year we intend to set up a far-reaching commercial network and in the following months we shall be intensively building production facilities. Naturally, that goes hand in hand with new job opportunities.

[Minarik] Thank you for the interview.

### Slusovice Being Investigated

91CH0746B Prague RUDE PRAVO in Czech 19 Jul 91  
p 2

[Article by Evzen Stanek: "Slusovice—A Guinea Pig?"]

[Text] A special group of investigators was appointed by the Czech Republic [CR] Interior Ministry to conduct conclusive investigation and to deal with the growing pile of criminal complaints against the "Slusovice mafia." As Major I. Vyleta, the chief of investigation at the CR Interior Ministry, confirms, so far there are no legal misgivings about the registration of the DAK MOVA enterprise filed at a court in Bratislava after the court in Brno, which is subordinated to the CR Ministry of Justice, had repeatedly refused to register it.

The common denominator of criminal complaints now under investigation is the transfer of a large part of assets owned by the former AK of Slusovice to the account of the DAK MOVA. A special group with headquarters in Zlin is compiling all kinds of information concerning economic operations of the former colossus of Slusovice. It pursues its task painstakingly, just as its colleagues had more than a year ago. Nevertheless, even then they failed to find any reason to send any of the members of the agro-conglomerate's management to prison.

Rumor has it that this case has not yet reached a stage where one could speak of any specific criminal accountability. However, it is alleged that investigation of the

conduct of economic subjects during the period of transition is more interesting because, according to I. Vyleta, "not every reprehensible conduct is at the same time punishable." On the other hand, the impression has arisen that this enterprise with several thousand employees has turned into a guinea pig in the hands of the Interior Ministry which is testing various methods of investigation concerning the behavior of economic subjects at a time when the sword of liquidation is hanging over their heads and they act primarily expediently.

### Anti-Stealth Device Known as Tamara Described

91CH0707B Prague MLADA FRONTA DNES in Czech  
26 Jun 91 p 1

[Article by Josef Tucek: "Tamara Versus Stealth—The Czechoslovak Device Is a Top Product, but Not a Miracle"]

[Text] It was with a feeling of pride as citizens of a small country that we have recently been able to monitor reports by some communications media regarding the fact that Czechoslovak specialists had developed a system capable of unmasking so-called "invisible" American Stealth bombers.

The device, which is valued at tens of millions of dollars, is code-named Tamara and is produced by the Tesla Plant in Pardubice. Vladimir Krsek, deputy director for production at the Tesla Plant in Pardubice, says enthusiastically: "It is capable of acquiring a foreign aircraft target up to a distance of 400 km." Several are in the hands of our military, in the past, one was sold to East Germany.

However, military specialists are somewhat more restrained. Comparison with the Stealth is not exactly fortuitous. "Invisibility" on the part of the Stealth system is based on the fact that the aircraft is hard to detect by radar, thanks to its shape and its surface. Tamara operates on a different principle: It intercepts radar signals on board aircraft, it intercepts altimeter signals and signals from jamming devices. However, modern combat aircraft are built in such a manner that they can fly along a previously determined trajectory and need not transmit external signals. Then, of course, they are not detectable by Tamara. In Czechoslovakia, we have no Stealth aircraft and we cannot, thus, simply determine under what conditions it flies or whether Tamara might find it.

The F-117 Stealth has now been publicly displayed at the Paris Air Show. This means that something more complex is already at the disposal of the American military. And in devising methods for concealing the aircraft, its designers certainly did not forget to think of its pulse signals.

Yesterday, Major General Oldrich Barak, who is the head of armaments and technical support for the Czechoslovak Army, said to us on this topic: "Tamara is undoubtedly an excellent device, but miraculous characteristics must not be ascribed to it, nor must it be made into a sensation. I see the future for this device not only in the Army, but also in civilian life, where it may help control aviation operations."

**Final 1990 Federal Budget Published**

91CH0695A Prague HOSPODARSKE NOVINY  
in Czech 25 Jun 91 p 25

[Article by Eng. Stefan Bazant, Federal Ministry of Finance: "Surplus Instead of Deficit: Final Federal Budget for 1990"]

[Text] We have just finished the first year of the difficult period of transformation from a centrally planned to a market based economy. Economic development, in which inertial trends from past years collided with the initial steps of the government to open the economy and with unfavorable external factors, resulted in a real reduction of gross domestic product formation of 3.1 percent, even though figures show a nominal increase of more than five percent.

Beginning in the second half of 1990 the behavior of enterprises and the general public was governed by the anticipated deregulation of prices, and the necessary devaluation that preceded the introduction of internal koruna convertibility. This must be viewed in conjunction with speculative purchases at the end of 1990 and

the increase of approximately 1.7 percent in gross domestic product utilization.

Economic and budgetary policy faced a number of problems. On the one hand it had to prevent a significant decline in economic growth as well as any inflationary processes, and on the other hand it had to support ongoing institutional changes.

**Increased Incomes and Expenditures**

The original budget proposal compiled at the end of 1989 had a deficit of 5 billion Czechoslovak korunas [Kcs]. It was not accepted by the government of national understanding. As a result, management in the first quarter of 1990 was based on a provisional budget. After reevaluating budget objectives, legislative bodies approved a budget with a surplus of Kcs5.4 billion. The surplus was concentrated in the Federal budget.

During the year changes in external and internal conditions necessitated changes to this budget. This increased budgeted incomes and expenditures by Kcs22.5 billion, i.e., without an impact on the budgeted surplus. See Table 1.

**Table 1. Incomes and Expenditures (billions of korunas)**

| Indicator                                 | Approved 1990 Budget | Adjusted 1990 Budget | Difference Between Adjusted and Approved |
|---|----------------------|----------------------|--|
| <b>Incomes</b>                            |                      |                      |  |
| Total central budget incomes              | 329.29               | 351.83               | 22.54                                    |
| Sales tax                                 | 89.75                | 116.85               | 27.10 <sup>1</sup>                       |
| Enterprise transfers                      | 176.54               | 171.89               | - 4.65 <sup>2</sup>                      |
| <b>Expenditures</b>                       |                      |                      |  |
| Total central budget expenditures         | 268.54               | 289.30               | 20.76                                    |
| Subsidies to enterprises and cooperatives | 55.68                | 63.80                | 8.12 <sup>3</sup>                        |
| Budgetary sphere expenditures             | 212.86               | 225.50               | 12.64 <sup>4</sup>                       |
| Total expenditures                        | 323.91               | 346.45               | 22.54                                    |
| Surplus                                   | 5.38                 | 5.38                 | 0.00                                     |

<sup>1</sup> Food price subsidies, increased prices for tobacco products and reduced prices for electronics resulted in a Kcs18.1 billion increase, and changes in crude oil prices in a Kcs9 billion increase.

<sup>2</sup> Reduced transfers from financial instruments in foreign trade totalling Kcs6 billion, offset by increases of Kcs1.7 billion in transfers from profits.

<sup>3</sup> Increases of Kcs4.2 billion in supplements to procurement prices for organizations in the agrocomplex related to the elimination of price subsidies, and an increase of Kcs1.5 billion in subsidized financial instruments in foreign trade.

<sup>4</sup> Resulting from a balancing contribution of Kcs13 billion from the government.

Even though implementation of the budget involved many deviations from the revised document, we were able to keep incomes ahead of expenditures, thereby maintaining the budgetary surplus. The total surplus of Kcs7.14 billion exceeded the target of Kcs5.38 billion, a result due in part to a surplus in National Committee budgets of Kcs3.37 billion. The national budgets alone finished with an aggregate surplus of Kcs3.77 billion. This result is Kcs7.27 billion better than in 1989, when the total budgetary deficit reached Kcs3.50 billion.

**Budgetary Performance 1989 and 1990 (billions of korunas surplus or deficit)**

| Budgetary Entity       | 1989   | 1990   |
|------------------------|--------|--------|
| Slovak Republic budget | - 1.42 | - 0.47 |
| Czech Republic budget  | - 1.25 | 0.23   |
| CSFR budget            | - 0.83 | 4.01   |
| Total, all budgets     | - 3.50 | 3.77   |

The main change in domestic financial relationships was a decline in the federal budget as a percentage of total national revenues from 47.8 percent in 1989 to 39.2 percent in 1990. This was accompanied by a decline in federal budget subsidies for republic budgets from

Kcs129.1 billion in 1989 to Kcs60.4 billion in 1990 (a decline of 53.2 percent). This change resulted from Law No. 129/1989, Laws of the CSFR, concerning budget regulations. This law was aimed mainly at improving the actual income base of the republic budgets. See Table 2.

Table 2. Main Types of Incomes and Expenditures (in billions of korunas)

| Indicator   | 1990 Budget | 1990 Actual | Difference | 1990/1989 Index (percent) |
|---|-------------|-------------|------------|---------------------------|
| Total incomes (Center and National Committees)          | 445.13      | 463.04      | 17.91      | 111.5                     |
| Sales tax and domestic market differences               | 116.85      | 111.63      | - 5.22     | 132.1                     |
| Enterprise transfers                                    | 186.08      | 188.47      | 2.39       | 106.3                     |
| Payroll taxes   | 53.20       | 53.72       | 0.52       | 103.2                     |
| Monetary and insurance institution transfers            | 19.79       | 20.71       | 0.92       | 89.0                      |
| RO incomes and transfers from PO*                       | 25.12       | 31.87       | 6.75       | 132.0                     |
| Supplementary National Committee resources              | 6.42        | 15.25       | 8.83       | 119.7                     |
| Other incomes**   | 37.67       | 41.39       | 3.72       | 99.8                      |
| Total expenditures (Center and National Committees)     | 439.75      | 455.90      | 16.15      | 109.9                     |
| Subsidies to economic organizations                     | 61.19       | 63.38       | 2.19       | 101.9                     |
| RO expenditures and PO dues                             | 357.96      | 371.83      | 13.87      | 114.4                     |
| Subsidies to agricultural and cooperative organizations | 20.60       | 20.69       | 0.09       | 109.0                     |
| Income less expenditures (+ denotes surplus)            | 5.38        | 7.14        | 1.76       | 1,457.1                   |
| Republic budgets  | 5.38        | 3.77        | - 1.61     | —                         |
| National Committee budgets                              |             | 3.37        | 3.37       | 84.5                      |

Note: \*RO: budgetary organization; PO: contributory organization.

\*\* Agricultural tax, income taxes and fees, social security contributions, transfers from cooperatives and other organizations.

### Main Categories of Incomes and Expenditures

All the main categories of income (except sales tax) and expenditures were higher than projected in the budget. The excess income came mainly from supplementary resources in National Committee budgets. These were used to cover increased expenditures for sectors providing free services to the public based on local need.

Despite the significant changes in the sales tax resulting from the elimination of food price subsidies and increases in the price of gasoline and diesel fuel, projected sales tax collections were not achieved. This shortfall was caused in part because subsidy levels for fuels were exceeded due to the increase in their wholesale prices in the fourth quarter of last year.

Income from transfer payments and business taxes increased faster than subsidies to this sector. The main factor in exceeding projected transfer levels were transfers from financial instruments related to foreign trade (1990 was the last year in which this system functioned).

These transfers were Kcs3.6 billion higher than projected. Payroll tax revenues, however, were Kcs 2.2 billion below projections.

In comparison with 1989, when total noninvestment subsidies provided to economic organizations (excluding financial instruments in foreign trade) increased by 26.7 percent, 1990 saw an increase of only 1.7 percent in noninvestment subsidies, mainly in conjunction with the elimination of the price subsidies in the agrocomplex.

Expenditures by the Federal Ministry of Defense were Kcs2 billion lower in 1990 than in 1989.

Noninvestment expenditures on government administration were higher by Kcs1.1 billion than in 1989, a 15.4 percent increase. While in 1989 expenditures on central offices declined by almost Kcs0.2 billion, these costs increased in 1990 by Kcs0.5 billion. At the same time the evolution of individual budgets was differentiated. See Table 3.



**Table 3. Noninvestment Expenditures for Government Administration (in billions of korunas)**

| Indicator  | 1990 Budget | 1990 Actual | Difference | Index 1990/1989 (percent) |
|--|-------------|-------------|------------|---------------------------|
| Noninvestment Expenditures for Government Administration | 3.36        | 3.48        | 0.12       | 118.2                     |
| Made up of:  |             |             |            |                           |
| Federation   | 1.87        | 1.82        | - 0.05     | 109.9                     |
| Czech Republic   | 0.87        | 1.00        | 0.13       | 127.0                     |
| Slovak Republic  | 0.62        | 0.66        | 0.04       | 131.4                     |

Savings in federal budget expenditures and excess expenditures at the national budget level reflect changes in the organization of national administration based on the new definition of the authority of federal and republic offices (the creation and abolition of certain ministries, etc.)

Government contributions to individual apartment construction saw a significant increase over planned expenditure levels. Almost Kcs6.1 billion was provided, while contributions of only Kcs3.7 billion were planned (a 1990/1989 index of 271.7). As of 9 October 1990 payment of these contributions was halted.

#### Government Budget for the Federation

The federation government budget was about Kcs46 billion lower last year than in the previous year,

because its income was reduced by wage transfer payments from organizations, which were placed under republic authority, and by the republic share of sales tax revenues.

Federal budget incomes increased by less (Kcs1.1 billion) than expenditures (Kcs2.4 billion), meaning that the planned surplus was not achieved. Actual Federal budget expenditures, to be sure, were Kcs2.0 billion lower than the approved budget, but the final figures on Federal budget management were affected mainly by and increase of Kcs4.4 billion in subsidies to Republic budgets, with a total of Kcs2.6 billion going to the Czech republic and Kcs1.8 billion going to the Slovak republic. See Table 4.

**Table 4. Government Budget for the Federation (in billions of korunas)**

| Indicator  | Czech Republic |        |            | Slovak Republic |        |            |
|--|----------------|--------|------------|-----------------|--------|------------|
|  | Budget         | Actual | Difference | Budget          | Actual | Difference |
| 1. Global subsidies                                | 1.89           | 4.51   | 2.62       | 0.47            | 2.32   | 1.85       |
| 2. Special purpose subsidies                       | 32.60          | 32.60  | 0.00       | 20.96           | 20.96  | 0.00       |
| a) Investment                                      | 10.84          | 10.78  | - 0.06     | 6.63            | 6.70   | 0.07       |
| Subsidies for comprehensive apartment construction | 9.95           | 9.88   | - 0.07     | 5.54            | 5.46   | - 0.08     |
| Danube water works system                          |                |        |            | 0.72            | 0.87   | 0.15       |
| b) Noninvestment                                   | 21.76          | 21.82  | 0.06       | 14.33           | 14.26  | - 0.07     |
| Individual apartment construction                  | 2.31           | 3.21   | 0.90       | 1.38            | 2.85   | 1.47       |
| Intervention and subsidies for certain prices      | 6.82           | 7.44   | 0.62       | 4.41            | 4.69   | 0.28       |
| For FENZO  | 7.49           | 6.59   | - 0.90     | 5.18            | 4.01   | - 1.17     |
| Total subsidies to Republic budgets                | 34.49          | 37.11  | 2.62       | 21.43           | 23.28  | 1.85       |

The excess spending for global subsidies reflected the need to use federal budget resources to deal with the consequences of federal decisions and certain other pressing government budget needs for the republics related to the consequences of the koruna devaluation, price changes for fuels, the education law adopted by the Federal Assembly, with higher expenditures for social security, increased pensions, etc.

Budget management performance was discussed and approved by the CSFR Government at its 30 May 1991 session, and after discussion by the legislative bodies in June and July approval is expected for the final Federation

budget for 1990, with a surplus of Kcs4.013 billion. These funds will be used to strengthen government financial reserves.

In addition the CSFR Government has approved a measure whereby in 1991 an obligation to the Czechoslovak State Bank related to the assumption of government credits by state authority in the agreed upon amount of Kcs4.002 billion will be paid off from the government financial surpluses of the federation. These funds will also be used to cover a deficit in the budget of the Slovak Republic in the amount of Kcs468 million, for which the republic does not have the resources and which is currently being financed by the SBCS.

The basic objectives of budgetary policy in 1990 were achieved. There were some corrections to relative prices and values, the budgets played their antiinflationary roles on the expenditure side, and incomes increased generally faster than expenditure. The independence of individual elements of the budget system increased. At the same time it became clear that a number of economic problems cannot be solved in isolation, at the territorial level only, but must be dealt with at the level of the entire CSFR.

**Strasky on Economic Reform, Czech Government**  
*91CH0707A Prague MLADA FRONTA DNES in Czech*  
3 Jul 91 p 3

[Interview with Jan Strasky, Czech deputy prime minister, by Jiri Leschtina; place and date not given: "Until Complete Victory"—first paragraph is MLADA FRONTA DNES introduction]

[Text] In contrast to the other two candidates for the politically superimportant seat of deputy prime minister for Economic Affairs in the Czech government—Minister Vladimir Dlouhy and Klaus' right-hand man Klaus Ivan Kocarnik—Dr. Jan Strasky has hitherto been completely unknown to the public.

[Leschtina] Where do you come from?

[Strasky] For more than 30 years, I worked in the Czechoslovak National Bank, from which the Commerce Bank split off as of 1 January 1990. Within the latter, I acted as deputy director general for the past year. Actually, I never wanted to be a clerk, something which I became after graduating from the Commercial Academy in 1958. That is why, in the 1960's, I studied at the Department of Philosophy, graduating in philosophy and political economy. However, my notions about escaping from the office encountered hard reality. I completed my studies at the time "normalization" was beginning and, as is well-known, those were times which did not favor philosophers. And so I was virtually compelled to remain at the bank; from 1968 through 1970 I served at the central branch, through 1990 I then worked at a branch office. In actual fact, all of this was only playing at being a bank and we secretly studied to see what an actual bank should look like. However, there was one advantage—under the subterfuge of "controlling through the currency"—that is to say, the universal incursions made by the bank into the enterprise sphere—I came into contact with the most varied aspects of our economy and their complete nakedness.

[Leschtina] At the bank, you sat in the same room for a time with Vaclav Klaus. Are your views regarding the problems of the market economy close to those of today's minister of finance for the CSFR? Do you consider yourself to be a liberal economist?

[Strasky] I do not like to use the word liberal because it has been frequently abused in recent months. I understand the current reform to be a completely decisive era of transition from failed socialism to a market society. An era in which there is no room for any kind of

experiments and third ways. In this sense, I am a consistent proponent of a scenario for economic reform. Adherence to its fundamental thesis should be unequivocal and orthodox. In this respect, I am completely in agreement with Vaclav Klaus, to whom I am grateful for much which I have learned in the area of the market economy.

[Leschtina] At your first news conference in the office of deputy prime minister, you stated, however, that since the scenario was adopted some facts have come to light which require a change in some approaches to the reform.

[Strasky] We were overly optimistic as far as timing was concerned. The pace of privatization is slower than we had anticipated. Enterprises found themselves in a certain vacuum with contradictory hopes of survival. On the one hand, we must prevent mass liquidation within a short period of time; on the other hand, we must once more help those enterprises which have a future to find a foreign partner, provide them with support to survive until the desirable moment of privatization. In no event is this any kind of new variation of the reform, but small-scale support for enterprises which have a promising privatization program which they must—actually for procedural reasons—begin to realize while still under the "state umbrella."

[Leschtina] However, a significant number of enterprises do not see this as the final assistance prior to privatization, but, on the contrary, as a continuance of the role played by the state in its role as a caretaker. Many of them are in fact seriously demanding a "paternalistic" policy.

[Strasky] Many enterprises have truly not fully understood that the government can no longer behave across-the-board as a state manager. But they have been reassured in their views even by government officials who, as a result of the influence exerted by years of work in a bureaucratic apparatus, very frequently demonstrate disproportionate concern with regard to the enterprise sphere. This suggestive effort on the part of some ministries to continue behaving like an omnipotent founder is persisting. Even in recent months, we, at the bank, received various "recommendations," which were, however, nothing other than demands that we retain one or another enterprise and provide it with disproportionate credits. Naturally, we did not do so.

[Leschtina] What were the origins of these "recommendations"?

[Strasky] Most frequently they came from various "commissions" which were active at the ministries of the Czech Republic Government. Now, however, I am encountering pressure from the enterprise sphere even in my new office. These pressures also include frightened calls for protection against foreign capital.

[Leschtina] You have become deputy prime minister for economic reform who, however, according to current

regulations, does not direct the ministries of industry, agriculture, or even trade. What do you intend to do with that situation?

[Strasky] It is an untenable situation if one group of individuals is theoretically preparing a program solution, the realization of which is in the hands of someone else. We need an organizational model in which all reform steps would be smoothly handled without jurisdictional disputes in enterprises which, however, are subordinate to the individual ministries. I am simultaneously chairman of the Economic Council of the Czech Government, which is a way of eliminating any kind of barriers between the reform-minded and departmental ministers and a way for putting this model in place.

[Leschtina] At the above-mentioned press conference, you indicated that it would be precisely some departmental ministries that will cease to be justified during the course of the reform and will be disestablished. Which of the Czech ministries is closest to the process of extinction?

[Strasky] Together with progressing privatization, enterprises will be emancipated from the influence of state organs. Today, this process is furthest advanced with respect to the trade sphere where, thanks to small-scale privatization, thousands of businesses and small operating units are escaping from the grasp of the state. Soon, therefore, it will be possible for the remainder of the functions of the existing Ministry of Trade to be transformed, say, into a government committee or to be transferred to another ministry.

[Leschtina] I do not believe that Minister of Trade Vlasta Stepova will agree with you in this; she is attempting to prove the necessity of her department by, among others, experimenting with administratively removing certain lucrative sales outlets from the process of privatization and transforming them into state joint stock companies.

[Strasky] I have the feeling that Minister Stepova is attempting to leapfrog over one phase. She is trying to create a global trade network with foreign capital participation, such as these networks are customarily seen in developed market economies. However, by doing so, she would leapfrog over the stage of privatization. Hitherto, the resulting extent has not exceeded the boundaries of the experiment. We should stay with these experiments. If the plan were to be realized on a broader scale, this would mean the creation of artificial barriers for private entrepreneurs. Our citizens must have the opportunity of acquiring any kind of property and I am convinced that they are not inclined to have the state extract any kind of enterprises from privatization without reason.

[Leschtina] What is the fate awaiting the Czech ministries of trade and the Ministry of Industry, which are proceeding with large-scale privatization—will they necessarily lose some of their importance?

[Strasky] This will be a much longer process. The law stipulates that enterprises which will not be privatized for at least five years are to be identified—of course, to

the extent to which truly substantive reasons can be found. Here, a part of the enterprises will remain in the hands of the state for a longer period of time—and, in some cases, undoubtedly on a permanent basis. However, the question remains as to whether so many enterprise entities will remain under state ownership that we would require a separate ministry? Might it not be possible to transfer the remaining state organizations under the jurisdiction of a single ministry of economy? But this is not a short-term prospect.

[Leschtina] Within the Czech Government and within the political clubs, tough discussions were held regarding the appointment of a control minister.

[Strasky] I have stressed several times that my advent to the Czech Government was not based on personnel requirements; after all, I did have one: the rapid staffing of the position of minister of control. This ministry must play an enormously important role under the current frequently unclear conditions existing during the transformation of our economy. It is quite another matter that control functions of the state should be gradually restricted and the legislative bodies should, on the other hand, emphasize control. This long-term trend—which could, over the time frame of several months, result in the division of control functions—is considered by me to be a false argument for deferring the nomination of a minister of control. As far as Igor Nemec is concerned, objections to his persona were completely irrational. Apart from general claims, I heard no arguments that would substantiate his professional incompetence. I have known Mr. Nemec for many years from our sports unit, where he is an excellent chess player. His systematic thinking is, I believe, a good recommendation for this function.

[Leschtina] Do you, thus, intend to become as strong a proponent of radical reform within the Czech Government as your friend Vaclav Klaus is within the federal government?

[Strasky] In order for a person to appear to be strong, he must be surrounded by those who are weaker. However, the Czech Government needs a strong government. Based on the early negotiations within the government, I have the feeling that this is an organization capable of cooperation. I perceive my role as one to coordinate the ministerial team in the direction of reform principles. To the extent to which moments will occur—and they will most certainly occur—which may lead to controversies, I intend to guide these disputes to complete victory for the economic reform.

**Tax Reform Completion by Jan 1993 Anticipated**  
*91CH0695C Prague HOSPODARSKE NOVINY*  
*in Czech 20 Jun 91 pp 4, 6*

[Article by Docent Jaroslav Vostatek, deputy minister of economics: "Reforming the Tax System: How and When?"]

[Text] Tax reform is a part of radical economic reform in Czechoslovakia. Several steps have already been taken.

The most important has been the elimination of discrimination against the private sector (specifically small business owners) in the tax area, and a significant simplification of the sales tax. This involved almost the complete elimination of the negative sales tax (retail price subsidies) and a simplification of the tax burden into four basic rates. This is the initial phase of the transformation of the tax system. Now we face the question of what to do next. This article expresses my personal opinions on this matter.

Our overall objectives for reforming the tax system are clear, and the basic structure of the future tax system is contained, in general terms, in the economic reform program. The most critical step will begin on 1 January 1993.

#### **Pace of Reform**

The view has been expressed that tax reform can be implemented over a few months. Tax reform in the [former] GDR, however, shows that this involves more than a theoretical exercise. The reform took almost a year to complete there. This was possible, however, for two reasons. First, the reform was based on the existing system in West Germany. Secondly, the reform received massive support, including the movement of a large number of tax office workers from the western part of Germany. It was also of fundamental importance that the eastern part of Germany was adopting not only the tax system, but the entire economic system. The German-German governmental agreement provides "only" for a transition to the West German system. This is clearly a unique situation.

The basic constraint on the timing of the most important step of tax reform is not the form of the individual taxes. This can be adopted from a foreign model. It is also necessary, for example, to reform the related systems, above all accounting. The most important constraint is knowledge of the new taxes and the ability to collect them. This applies mainly to value added taxes, which represents a colossal change in our taxation. Introducing the commonly utilized, worldwide, consumption type of value added tax over a period of 2.5 years without extensive external support (as in Germany) is a very fast pace, one that is right on the borderline of feasibility.

The previous tax system was in many ways very simple. The existence of a minimal private sector in Czechoslovakia was in its own way an advantage, because it meant that we did not need many tax collectors. This has now turned into a huge handicap, because we now have a catastrophic shortage of qualified tax office officials. The qualifications of government employees is a general problem, but in the taxation area it is especially acute. We have to make the new system as simple as possible, in the interest of its overall functionality.

The links between taxes are more important than the current isolated discussion about individual taxes. Moreover we will have to formulate a more broadly conceived budgetary system. The concept of the social security system, in the broadest sense of the term has great

importance for the tax system in this regard. We have to keep in mind the allocation and distribution functions of public finance and the analogous principles of taxation in modern society: economic efficiency and justice. In terms of fiscal theory and policy this is a matter, among other things, of the extent to which revenues are distributed and goods consumed by the national budgets. Taxes and social security need to be interrelated in a similar way. The seriousness of these problems has assumed a fundamental nature in Czechoslovakia today. If the tax system and social security systems are both to be fundamentally reformed, this must be done in concert and with the benefit of foreign experiences.

#### **Consumption Taxes**

The world wide, and especially European trend in the area of consumption taxes is relatively clear. A modern, general consumption tax is the value added tax. Only the United States, Switzerland, and Australia, of the 24 countries in the OECD, do not have a value-added tax. In addition to a general consumption tax all countries also impose selective (excise) taxes. The overall importance of consumption taxes in the OECD countries is indicated by the fact that these taxes account for 30 percent of the tax revenues. In the EC, this percentage is 33 percent. General consumption taxes have already passed excise taxes as a percent of total revenues (16-17 percent in the OECD; 18-19 percent in the EC).

There are huge differences in the role of consumption taxes among the individual OECD countries. Their percentage of total tax revenues ranged from 13 percent in Japan to 60 percent in Iceland in 1988. We are taking our lead in this matter from the EC and above all the Central European region. Taking account of the relatively high initial tax level in Czechoslovakia, we should be looking at a value added tax rate of 20-25 percent.

If we could look at the issue from the viewpoint of tax theory and policy, we would prefer to have a value added tax with a single rate. Introducing two rates, a standard rate and a lower rate, might be considered an acceptable compromise.

The current sales tax in Czechoslovakia, besides a few classical excise taxes, is a single phase, four rate sales tax that is collected mainly from manufacturers. Rates as a percentage of the selling price, including taxes, are 0 percent, 11 percent, 20 percent, and 29 percent. The equivalent rates based on the price exclusive of taxes are 0 percent, 12.4 percent, 25 percent, and 40.8 percent. Introducing a four rate tax was a basic change in tax and price relationships that was justifiable in the first phase of economic reform.

A one time transition to a 20-25 percent value-added tax [VAT], or to a dual rate VAT, would represent at least as large a shock and would have a number of undesirable effects on the structure of consumption. It would also serve to raise inflationary pressures (analogous to developments in developed countries). We must therefore reject the idea of a one time restructuring of sales tax rates while shifting to a value added tax on 1 January

1993. On the contrary, we must proceed with the trend started with the tax rate adjustments of 2 May 1991.

Until the first half of 1990 total sales tax revenues were dominated by taxes on propellants, alcohol and tobacco products, automobiles and related products, in other words by selective consumption taxation. Taxes were also high in other areas, but were significantly "compensated for" across the board by high subsidies (the so-called negative sales tax) on food, fuels, and heat. These subsidies were practically eliminated on 9 July 1990 and 1 May 1991.

Instead of a negative sales tax on food we now have a negative per capita tax, the monthly, expensive, supplementary payments for each citizen. When the negative sales taxes on fuels and heat were eliminated these supplements were increased, but only for retirees and children. The existence of the negative per capita tax is quite significant. Last year it amounted to about 50 percent of payroll tax revenues. It is also important in terms of redistribution, because it must be eliminated by 1 January 1993.

We should opt for a gradual transition to consumption taxation, which is assumed to begin on 1 January 1993, not a one time restructuring of the sales tax system on this date. If we consider this only within the context of the current sales tax then in several stages we could change the tax rates and classify goods under increasingly uniform rates. The final stage in this process would be the transition to the value added tax on 1 January 1993.

Another approach to reforming the sales tax takes account not only of the starting and the ending points, but also the impact of current value added taxes abroad on the Czechoslovak economy today, with particular reference to the koruna exchange rate. An integral part of the consumption type of value added tax is an import tax, and the refunding of that tax when the goods are exported (this amounts to an export premium). As long as we do not have a value added tax, this will have a significant impact on the exchange rate of our currency. Until 9 July 1990 no one could argue against a sales tax (except excise taxes which also exist abroad). At present the situation is more complicated, now that the negative sales tax has been eliminated. Under so-called domestic koruna convertibility, a quasi-market foreign currency exchange rate is derived from the assumed overall equilibrium in the balance of trade. This has its own logic, but does not work well for tourism and other non business payments, or for the movement of capital. In other words, we should "divide" our foreign currency exchange rate into a value added tax (import tax and refunded tax) and a new exchange rate that would be more favorable by approximately the amount of the tax. This is a sufficiently serious problem that it would be desirable to accelerate the introduction of the value added tax, or at least its mechanism, in the area of foreign trade. In doing so the tax should be as high as possible, around 25 percent.

The actual introduction of a value added tax in the form of an import tax and an export premium can be handled in a few months. This might, however, not be understood abroad (GATT), and we are therefore proposing a provisional value added tax in the form of a revenue type of value added tax supplemented by an import tax and the refunding of the tax upon export.

A revenue type of value added tax can be easily implemented as the sum of the taxes on payrolls and profits, that could be set aside from the current transfers from wages payable and taxes on profits. These taxes currently have rates of 50 and 55 percent respectively, so there is space to reduce them by the amount of a 25 percent value added tax. To the extent that current taxes on payroll costs and profits are to be reduced by this amount, the reduced transfer from wages payable would be 25 percent, and the basic profits tax would be 35 percent (55-20 percent).

The alternative of a gradual restructuring of the sales tax consists of excluding excise taxes from the sales tax system (which can be done very rapidly) and, instead of the previous variant of convergence to a single sales tax rate of 25 percent, choosing to gradually reduce the rates to 0, thereby eliminating this tax altogether. After eliminating the sales tax as of 1 January 1993, the only remaining tax would be a revenue type of value added tax which, on this date, could change to the consumption form of this kind of tax without price shocks. In conjunction with these overall changes, the reduction in the single phase sales tax could be accompanied by an increase in the rate of the value added tax (if it were less than 25 percent), or the negative per capita tax could be reduced. There are a number of possibilities in this area, including lowering the tax quota.

The transformation of our economic system is best described as a relative strengthening of indirect taxation in the form of a general consumption tax and a significant role for social security contributions. Taxes on profits, on the other hand, must decrease significantly. These requirements are best met by the introduction, as soon as possible, of a revenue type value added tax at the highest possible rate, i.e. 25 percent.

#### **Social Security Contributions**

The planned tax reform assumes that there will be contributions to social security, but does not include them in the tax system. This should not matter, however. The chief concern, after all, is not only recognizing the existence of social security contributions, but also integrating them with the other elements of the tax system.

Currently a number of countries provide for their social security needs with a regressive structure, one that taxes earnings only up to a certain amount. If, however, there exists a progressively structured income tax the question arises of whether it makes sense to have both a progressive and a regressive tax on the same entity, income. Both, to be sure, have their own logic, but only when

considered separately. My opinion is that we are moving to a uniform tax system, without one tax swallowing up the other.

Social security contributions have their own, independent logic, based mainly on defraying most social costs. There is undoubtedly a connection between the relevant public expenditures and incomes. Sometimes the connection is closer than at other times. The mechanical classification of social payments, and in particular social security payments into those that should be financed by social security contributions and so-called government payments, which are to be financed from the government budget, is a typical illustration of the isolated approach to individual components of public finance. Just these approaches are applied in this country in the area of labor and social affairs. They have their examples abroad, from which they differ only in that they are more "principled."

Moreover, in the health care field a proposal has been made for the introduction of health insurance, most of the expenditures for which would be made from insurance paid by employees and employers. The logic of this proposal is partly the same as the above mentioned proposal, namely to partially fund social security from general government budget revenues (here from economically active citizens), and is partly in sharp contrast (health care is closer to a "government payment" for all citizens than to a "social security payment"). Both sectorial approaches share a conception which today can be considered outmoded, obsolete, but which is still practiced in several countries.

The key question of social security contributions is whether they should be paid by enterprises and institutions as well as by their employees. A positive answer is based on the view that the payment of social security contributions for employees is psychologically very important.

In two OECD countries, Sweden and New Zealand, employees make no payments into social security. In several other countries, employee contributions are minimal (less than 3 percent). In contrast, in Holland the average percentage of employee contribution to social security is 26 percent (1989). The tax base is, however, coordinated with the income tax (an average rate of 12 percent), making the total tax burden the same as it is in Sweden. Given these trends in the theory and practice of taxation, it would not be effective to revive in Czechoslovakia independent employee payments into social security or health care. The main argument for this is to keep the tax system as simple as possible.

Social security contributions are one of the three basic channels for tax revenues in developed countries. They average about 24 percent of tax revenues for the OECD, and about 29 percent for the EC. There are also great differences between countries, from 0 percent (Sweden and New Zealand), to 42 percent (Netherlands) and 43 percent (France), with all data being for 1988. In Czechoslovakia in 1989, taxes on wages accounted for about 23

percent of total tax revenues. In conjunction with the general approach to the structure of the tax system at a time of transformation of the economic system, the percentage represented by social security contributions should not be reduced. The rate for this tax, as paid by employers, should reach 45 percent in the future, in 1992 if possible, in order to cover all social security expenditures, including health care and actual social security payments. While official proposals tend to reduce the role of social security contributions, based on the theory that it can be partially financed from general government budget revenues, those of us here are leaning towards significant utilization of this tax, in order to allow us to reduce the tax on incomes of citizens and businesses.

One issue being discussed is whether there should be only a federal fund for social security (or numerous federal funds) or whether these funds should be created at the republic level. Those in favor of the federal argument contend that it is desirable to have a uniform social security payments system for all of Czechoslovakia. The division of these parafinancial funds in Bohemia and Slovakia corresponds to the current trends in the organization of economic relations in Czechoslovakia.

If we look at the financing of social security in developed countries, and specifically government budget subsidies, then the separation of the Czech and Slovak social security funds would not be a tragedy. It is, rather, one of the alternatives. This definitely does not imply that the payments system will also be differentiated; it can remain intact (federal, uniform). It is rather a question of whether the rate at which contributions will be made remains the same (uniform) or becomes differentiated.

#### Taxation of Incomes

Income taxes were originally a basic pillar of modern tax systems. In recent decades it has become only one of three fundamental tax channels. Income tax in 1988 amounted to an average of 38 percent of all tax revenues in the OECD countries, while in the EC countries the percentage was 33 percent, making the income tax in the EC just as important as taxes on consumption.

Two characteristic income taxes are taxes on personal revenues (tax on incomes of the general public), and a tax on social revenues (tax on the incomes of companies). With only a few exceptions, taxes on corporate revenues remain relatively insignificant. Originally these were isolated, relatively high taxes on corporate profits, justified by the exceptional ability to pay of capital revenues. At present this classical system is employed in only five OECD countries. In contrast, eight OECD countries use a system that integrates this tax with personal income taxes, and in the remaining countries there are combined systems that reduce double taxation of distributed profits.

Developments are moving of their own accord to a fully or partially integrated system, in other words the linking of the tax on corporate revenues with the tax on personal

revenues. It is not possible to eliminate taxes on corporate revenues, because a portion of profits remains undistributed. Distributed profits are preferably taxed at their source (tax collected by discounts), and then in some cases take account of the tax in personal income tax calculations.

We should give priority to an integrated system. If we can implement a relatively simple system of personal income taxes, it will then also be possible to use uniform tax rates on corporate revenues at the upper limits of the tax rates on personal incomes. If this were the case it would even be possible not to tax dividends when they are received. When considering the rate for a tax on corporate revenues estimates range from 30 to 35 percent.

We could make similar calculations regarding the strategy for personal income taxes. Ongoing tax reforms in the OECD countries are without exception substantially lowering the number of tax rate brackets on personal income to 1-3 tax brackets. Iceland has a single tax rate. There are two rates in the USA, Great Britain, and other countries, and Sweden has implemented, beginning this year, only two rates, one of them 0, and the other 20 percent. A similar two rate system should be recommended for Czechoslovakia. Under current conditions we could not successfully implement proportional income taxes, as is the case in Iceland. The Swedish rate table is a feasible starting point for further discussions. It is desirable to attempt to impose the lowest possible taxes on incomes of individuals and corporations.

A pervasive problem with personal income taxes is the determination of a concrete tax base, including deductions. Here as well we should attempt to select the simplest and most liberal variants. A full implementation here means, among other things, the introduction of taxes on pensions, which is practiced in all developed countries. This is essential as well in terms of the integrity of the system, not only with regard to foreign countries (pensions coming from abroad and being sent abroad), but also in terms of determining the base for the calculation of the pension in our country (earnings before taxation). Of course I am not suggesting lowering the current levels of pensions in Czechoslovakia. The problem of their transformation can be resolved by a simple, one time revaluation that takes effect on the same day the income tax becomes law. Moreover, it could be the case that no revaluation would be necessary in most instances, if we adopt an income tax rate structure such as Sweden's (rates of 0 and 20 percent).

The situation of payments for illness and maternity is somewhat more complicated. These payments are taxed in more than 50 percent of the developed countries. Here these payments are calculated based on net income and are not taxed. There should not be any great problem here, however.

Another problem in the taxing of personal incomes is the method for collecting taxes on wages. This is a matter of selecting the simplest solution, one that does not require

the filling out of a tax return by the majority of employees. It is essential to retain the institution of payroll taxes, which are common in most of the OECD countries. The topic of discussion should therefore be the reconstruction of the current payroll tax, and the implementation approach (one time, or in two or three steps).

Because of the current obsolete and inappropriate structure of this tax in Czechoslovakia, I am in favor of a gradual transformation, with the first step being a reduction in the number of tax brackets. In conjunction with later economic reform steps there can also be a change (reduction) in the overall tax burden on payroll incomes. The gradual reform of the payroll tax should be connected with the problem of doing away with the negative per capita tax, and is also closely related to supplementary payments for children, which also need restructuring.

There is a widespread perception here that the current payroll tax will be distributed into several contributions to social security and a new, lower payroll tax, in other words income tax. These perceptions stem from an assumption that we will return to the situation prior to 1953 (1948), and from proposals to introduce again contributions from both employees and employers to social security. In relation to what exists in Western countries, this is certainly a possible solution. Nevertheless, I think that we have to give priority to the most simple solution, which is a fiscal system without employee social security contributions. In addition, there is a question here of the structure of the tax system, of the overall proportions between the taxation of consumption, of incomes, and of social security contributions. In conjunction with the conception presented here concerning these proportions in the tax system, we should attempt to reduce the tax burden on wages and on entrepreneurial and capital revenues.

Social security contributions should be limited to only employer contributions, and in the near future (not however by 1993) exceptions to the responsibility to make the contributions (for example budgetary organizations) should be eliminated, and there should be a single uniform rate, with no deductions allowed (because of the revenue situations in some sectors). The overall tax burden on wage costs in the form of social security contributions and revenue types of value added taxes will increase if we adopt this way to reform the tax system. This is a justified increase, and should be accompanied by a significant decrease in taxation of corporate revenues and a reduction in the role of the current sales tax. There should also be an overall decline in the tax quota.

#### Federal and Local Taxes

In our country as well, local budgets depend mostly on property taxes, mainly personal and real property taxes. Here as well it is clearly desirable to choose the simplest solution compatible with the current structure. A universal problem is turning out to be certain efforts to



"force" villages, towns, and regions to increase as much as possible local taxes and fees. Pressure in this direction comes from the Republic government budgets. Some countervailing pressure will be needed here. It will be necessary, in other words, to select an appropriate combination of government subventions to go along with the local taxes and fees. Here as well it is a question of the overall fiscal policy, including issues of public expenditures by local administrations and their interaction with the government budgets.

The essence of the conflict, or problem, will be the role of the federal budget. Attempts to transform it into a "tolerated" superstructure over the national budgets will clearly be rejected. These arise from conceptions that the Federation can be financed by contributions agreed upon by the Czech and Slovak governments. The Czechoslovak Federation is not and will not be a supranational, or international organization, financed with member contributions. The parallels that have been suggested between the EC and its member countries and a possible customs union between Bohemia and Slovakia are not supported by the facts, chief among them that the Czechoslovak Federation exists with a single market and single currency.

In terms of the tax incomes for the federal budget one can assume that here as well there will be a clear delimiting of the space for federal and national (republic) taxes. The authority of the federal and national tax offices must be defined differently in the basic tax legislation, in the budgetary designation of specific taxes, and in tax administration. The laws must be as uniform as possible, with the administration resting with Bohemia and Slovakia. These are standard problems of federal finances, or fiscal federalism. Their specific form will be heavily influenced by the characteristics of Czechoslovakia, the duality of the Czechoslovakia Federation.

One of the issues of the federal, local, and especially the national budgets is to reform the taxation of profits of government enterprises and government corporations. This is another problem that cannot be postponed until 1 January 1993. The current taxation of government enterprise profits was conceived during the perestrojka period, which has both huge advantages and disadvantages. Perestrojka transfer payments from the profits of these enterprises represent not only taxes on profits, but also on entrepreneurial revenues (analogous to dividends). It is therefore essential to separate these two institutions immediately. Government enterprises should pay normal taxes (in other words tax on corporate revenues). Taxable profits should be divided, based on the disposition of the founder. In most instances well known forms and formulas can be used to make this distribution. A reform of the transfers paid by government enterprises is essential in broader terms as well.

Specifically, there is the level of taxation on the profits of private corporations (without greater foreign participation). These corporations still pay taxes at the same rate as government enterprises, which is quite illogical.

**Private Business During First Quarter Viewed**  
*91CH0965D Prague HOSPODARSKE NOVINY*  
*in Czech 20 Jun 91 p 13*

[Interview with Prof. Jaroslav Jilek, vice chairman of the Federal Statistical Office, by Jan Urban; place and date not given: "Private Business in the First Quarter"]

[Text] The attentive reader may have noticed that the reports published this year by our statistical offices do not include performance figures for organizations employing fewer than 100 people. We asked Prof. Eng. Jaroslav Jilek, vice chairman of the Federal Statistical Office, for an explanation.

[Urban] Why don't the government figures reflect all business activity?

[Jilek] There are two, rather three parts to an answer to that question. For annual periods the government statistical office attempts to report fully all aspects of economic activity, and until recently utilized an exhaustive reporting methodology to accomplish this. The enormous growth in the number of private businesses—as of 31 March 1991, 1,800 were entered in the enterprise register, and some 655,000 were registered outside the enterprise register—has forced the statistical office, as is the case in countries with a market economy, to report fully economic activity using a selective reporting methodology. The most accurate methodology is random selection which allows the calculation of ranges within which a specific characteristic can be found with a certain probability. We utilized selective reporting, understood in this way, for the first time when preparing the economic reports for the private sector in 1990.

Quarterly indicators are obtained both from organizations with more than 100 employees, and from organizations and private entrepreneurs who employ 25-100 people. Here for the time being we are using an exhaustive reporting methodology, with the single difference that organizations and individuals employing 25-100 people (so-called small businesses) have fewer reporting responsibilities. Government statistical offices thereby acknowledge their administrative capabilities, and particularly their lower level of computerization. We are trying to coordinate our efforts with other government administrative entities, such as the finance ministries, which make similar distinctions. At present we have left out only private entrepreneurs who have not been entered in the enterprise register.

Our month end figures therefore reflect the activity only of organizations and small businessmen who are recorded in the enterprise register, and who have more than 100 employees.



## Selected Information About Small Businesses (under 100 employees)

| Information   | Total  | Of Which: Private Ownership |
|---|--------|-----------------------------|
| Number of firms   | 4,984  | 1,800                       |
| Revenues (in millions of korunas)                                     | 13,040 | 2,303                       |
| Revenues per business (in thousands of korunas)                       | 2,616  | 1,279                       |
| Expenditures (costs) (in millions of korunas)                         | 12,039 | 2,083                       |
| Average expenditures per business (in thousands of korunas)           | 2,415  | 1,157                       |
| Average revenues less expenses per business (in thousands of korunas) | 200    | 122                         |
| Documented employees, 31 March 1991                                   | 82,090 | 8,318                       |
| Average employees per business  | 16.5   | 4.6                         |
| Wage resources, including OON (in millions of Kcs)                    | 996    | 78                          |
| Average monthly wage (in korunas)                                     | 4,044  | 3,141 <sup>1</sup>          |
| Retail sales (in millions of korunas)                                 | 2,353  | 469                         |

<sup>1</sup>Influenced by part-time employment agreements

[Urban] This means that the government statistical office is restricting its field of view to midsize and large companies, a fact that is not lost on the remaining organizations and entrepreneurs. But what does this say to the users of this statistical information? Can they be sure that comparative monthly indexes, or quarterly indexes for this year and last year will not be seriously distorted?

[Jilek] We are well aware of the seriousness of these issues. Our future plans call for the use of random sampling techniques to gather data from those areas that we do not cover now. The numbers that we did gather regarding the activities of small businesses for the first quarter of 1991 did indicate that they do not account for a large portion of economic activity.

The total incomes (sales) of these businesses presently accounts for not quite three percent of the outputs of businesses with more than 100 employees. The number of employees, 82,000, is about 1.3 percent of the number of employees in government and cooperative sector organizations with more than 100 employees, and averages out to about 17 employees per firm, and five employees for each small business. (This number does not include citizens who worked for a small business, but were themselves registered under Law No. 105/1990.

The level of earnings in the small business sector, 4,044 Czechoslovak korunas [Kcs] monthly, is about 20 percent higher than the average monthly wage in midsize and large government and cooperative firms, which increases the average monthly wage index by 0.3 percent (average nominal wages increased in the first quarter by 6.1 percent in organizations with more than 100 employees, and by 6.4 percent when small businesses are included.

[Urban] These are aggregate numbers that hide at the very least sectoral differences. What did you find out, for instance, about industrial activity?

[Jilek] The situation is, in fact, highly differentiated. The highest revenues, Kcs3.8 billion, an average of Kcs4

million per business, were booked by small businesses in the sector of daily and other production activities (trade, housing services, and food services). Private businessmen in the enterprise register accounted for 20.5 percent of these revenues.

Industrial activities were engaged in by 1,007 small businesses and cooperatives, which produced Kcs2.6 billion in revenues. Private businesses account for 33.9 percent of these firms, but accounted for only nine percent (Kcs235 million) of the total output.

The largest number of small businesses and small production cooperatives was in the area of machine building (168), but the largest percentage of total output was accounted for by firms in the area of foodstuffs, building materials, metalworking, and electronics.

The largest number of private entrepreneurs entered in the enterprise register is also in machine building (63). These companies generated Kcs29.6 million in revenues in the first quarter of 1991. The highest revenues for a single small business, Kcs4.261 million, were recorded by a firm in the foodstuffs industry.

Small businesses and cooperatives accounted for 0.8 percent of total industrial production revenues, with businesses in the Czech Republic [CR] accounting for 1.12 percent of total industrial revenues in the CR, and businesses in the Slovak Republic [SR] accounting for 0.54 percent of total industrial revenues in the SR. In the CR the activities of small businesses and cooperatives are concentrated in the fields of building materials (5.54 percent of total CR output), printing (3.98 percent of total CR output), woodworking (2.67 percent of total CR output), and metalworking (2.51 percent of total CR output), while no small businesses are active in the fuel and power sector. In the SR, in contrast, small businesses are more evenly represented in all industrial sectors, but only in the electrotechnical, machine building, and building materials sectors does the output of these small businesses account for more than one percent of total SR output.

Operations of the private entrepreneurs entered in the enterprise register are restricted at present. They accounted for only 0.07 percent of CSFR industrial production, with the percentage slightly higher (0.07 percent) in the CR than in the SR (0.04 percent). In the CR their activity is somewhat significant only in the printing (1.10 percent) and the clothing (0.51 percent) sectors.

Even though the data gathered for small businesses and cooperatives for the first quarter on 1991 does not allow one to determine a growth rate (because there is no data for a comparable period last year), if one defines a comparable period last year as having half of this year's activity, then the index of industrial production for the first quarter of 1991 would change, exclusive of price factors, from 89.5 to 89.9 percent, i.e. 0.4 points. In the extreme case that the comparable period last year experienced no activity, the index would increase by about 0.8 points to 90.3 percent.

[Urban] Statistics about construction could also be interesting.

[Jilek] On 31 March 1991 there were a total of 614 small businesses and cooperatives (25-100 employees) engaged in construction in the CSFR, with total construction volume of Kcs1.7 billion. Of these, 204 (33.2 percent of the total number of businesses) were private, and accounted for construction volume of Kcs492 million (29.2 percent of total construction volume for this group).

The construction output of these small businesses and cooperatives accounted for 8.4 percent of total construction output in the CSFR. Businessmen entered in the enterprise register accounted for 2.7 percent of total construction output.

Great differences emerge, however, when one compares the republics. While in the CR, small businesses and cooperatives accounted for 12.3 percent of total construction output, and private entrepreneurs for 4.1 percent, in the SR the comparable percentage were much lower, 3.6 and 0.2.

Small businesses and cooperatives are more important within the construction sector than they are in industry. If we make the same growth rate assumptions for construction as we did for industry, i.e. that a past comparable period equals half of the current output, the index of total construction output in the CSFR for the first quarter would increase from 65.4 percent to 68.4 percent (a 3.0 percent increase), and under the extreme assumption of a zero base, would increase by 6.1 points to 71.5 percent.

[Urban] You have already mentioned that government statistical offices collect data about private businessmen not entered in the enterprise register only annually. On the other hand, you have an idea of how many there are. Can't you make some estimate of their economic activity?

[Jilek] Of the total of 655,000 registered small individuals, the greatest percentage, about 29 percent, registered for industrial activities, including repair work. This was followed by construction (26 percent), trade (15 percent), and communal services (8 percent). Not quite 20 percent of the registered individuals, though, are engaged full time in their declared field.

A sample of 1,000 personal income tax returns for 1990 would show that the outputs of this sector are still negligible. The declared personal income tax base for these 1,000 selected private entrepreneurs averaged Kcs 12,000 per individual. There was an average of 0.6 employees for each person engaged in his or her declared activity full time, and an average of 0.2 employees for all registered entrepreneurs.

The number of permits for conducting industrial activities issued to private entrepreneurs not entered in the enterprise register reached 119,297 for the CSFR on 31 March 1991 (93,772 in the CR, 25,525 in the SR). Considering that a substantial majority of these entrepreneurs are engaged in this activity in addition to a full time job, one can assume based on the available information, that the industrial output will not be noticeable. One might even conclude that some of these entrepreneurs have not even started to be engaged in their declared activity. If all of the registered entrepreneurs worked by themselves at the average labor productivity rate, they would have produced in the first quarter of 1991 output of Kcs9.9 billion (which we do not regard as realistic) which, assuming a zero base last year would result in an increase in the growth rate of industrial output of 2.4 percent to 91.9 percent.

The number of permits issued to private entrepreneurs not entered in the enterprise register to conduct construction work reached 96,861 on 31 March 1991 (68,425 in the CR, 28,436 in the SR). Estimating the output of these entrepreneurs is very difficult, however, without some randomly collected data. Assuming average labor productivity in construction, the above number of entrepreneurs would have increased total construction output by Kcs4.2 billion which, assuming a zero base last year, would have increased the growth rate of total construction output for the first quarter of 1991 by 14.6 percent, to 80.0 percent.

[Urban] This information implies that the usual monthly statistical information can underestimate actual growth in industrial and construction output, even though the deviations from actual figures is still not that great. Is there another more important indicator that can truly be more favorable than is apparent from statistical information?

[Jilek] A study by the Institute for Public Opinion Research in early May of this year looked at the utilization of new ways to purchase goods other than government and cooperative stores, i.e. at exchanges, markets,

marketplaces, sidewalk kiosks, directly from sellers in cars, etc. The study found that while 75 percent of the population had taken advantage of these alternatives at least once, only 18 percent used them on a regular basis. Most of those interviewed buy their food and beverages from such sources, but also clothing, textiles, accessories, shoes, and electronic goods. We estimate that the population spent about Kcs2-3 billion on these forms of purchases in April. If we add this amount to the official figure for retail trade sales of Kcs 22.4 billion, the nominal value of retail trade revenues would be the same as it was at this time last year.

[Urban] Should not the government statistical offices make use of such supplementary information directly and include it with its calculations?

[Jilek] We do not consider this approach to be an acceptable methodology. Our estimates are not yet based on random selection principles, and are affected by the subjective approaches of our employees. It is clear from the above numbers that the role of the private sector is not yet large enough to change trends discerned in the mid-size and large organizations in the government and cooperative sectors. We think that merging the results of studies with estimates would damage these monthly statistics. In the future, as I have stated already we are planning to replace these estimates with selective data gathering techniques. The deadline for making these improvements depends on resources (capacity) of the regional divisions of the Czech and Slovak statistical offices.

[Urban] Mr. Vice Chairman, thank you for the interview.

#### **Academy Examines Social Aspects of Transformation**

*91CH0695B Prague HOSPODARSKE NOVINY  
in Czech 13 Jun 91 p 6*

[Article by Eng. Kamil Janacek, Czechoslovak Academy of Sciences, Economic Institute: "The Social Impact of Transformation"]

[Text] The situation at the start of 1991 can be characterized as a classical recession, one deeper than anticipated at the end of 1990. This has come about because of the rapid disintegration of the CEMA, a decline in worldwide economic conditions, and the practical impossibility of rapidly replacing markets in the former socialist countries with sales of Czechoslovak products in developed economies. The sales crisis at home is much greater than either the companies or the government anticipated. At present the slow pace of both small and large privatization is extending the transition period and the period of uncertainty and failure of government production and commercial enterprises. The transformation of these economies is being complicated by noneconomic influences such as disagreements over authority and nationalist disputes. These problems significantly slow down the inflow of foreign capital so essential for rapid national economic transformations.

Based on the performance in the first four months of the year, we can expect a decline in gross domestic product in 1991 of 10-15 percent, an increase in retail prices of 60-70 percent, a decline in real wages of 25-33 percent, and a payments deficit in the amount of 1.5-2 billion U.S. dollars. Unemployment may reach 6-10 percent (depending on the magnitude of decline in the gross domestic product).

#### **The "Market" for Goods**

For the general public, developments since prices were deregulated have been a shock with a significant impact on their standard of living. Real incomes have perceptibly declined, unemployment has increased, as have uncertainty and a fear of the future. Social tensions have increased. While the price level for foods stabilized towards the end of the first quarter, and declined a little in April, price increases for manufactured goods continue to increase, although with diminished intensity. The monopoly nature of the market and behavior of government businesses has caused a situation where there has been a collision with the demand barrier that has not led as yet to a decline in prices, but to a decline in supply. Buying conditions, as analyses and public opinion polls indicate, have in many instances worsened.

The reaction to the dominance of monopoly trade has been the parallel existence of shortages and sales difficulties. This is because businesses are reacting to the situation in a traditional way; namely, by not being willing to undertake the entrepreneurial risk that is normal for a market economy they impose an artificial regulation of inventories, an orientation only towards goods that will sell rapidly, etc.

The real impact of the expanding assortment of imported consumer goods is only slowly becoming evident in the market, having been slowed down by the devaluation of the Czechoslovak koruna (Kcs). In 1991 wholesale prices started to decline a little but, because of the slow formation of competitive conditions, the improvement in retail prices for the consumer can be expected only in the second half of the year. All these facts argue for the full implementation of privatization and support for measures that increase competition on the domestic market.

Despite a relatively high growth rate of disposable incomes, bank deposits declined in the first quarter by Kcs4 billion. When all forms of savings are considered (korunas, foreign currency) the savings level was 1.2 percent. In an attempt to maintain their standard of living, households drew on accumulated deposits and attempted to increase incomes by greater reliance on loans. The increased rate of savings, so necessary to overcoming the decapitalization of the Czechoslovak economy, will require a more activist banking policy, especially in support of koruna deposits.

In the climate of existing inflationary (and devaluation) expectations of households and enterprises, one of the most important tasks of macroeconomic policy is to

reduce that expectation and act to slow down the inflationary developments in the Czechoslovak economy. Generally speaking the factors that affect, or might affect increases in retail prices and costs of living are significant wholesale price increases (followed after a time lag by increased retail prices), the monopolization of manufacturing and trade, customs and protectionist policy, increased prices of energy and upward pressure on wages that would lead to wage price inflation.

On the other hand several factors will act to keep prices down, including the economic recession and sales crisis, favorable price developments for crude oil and certain other imported raw materials, privatization and demopolization, flexible price regulation policy, an active banking policy leading gradually to the achievement of positive interest rate levels, incentives for savings, and the gradual elimination of import surcharges.

All three governments must make overcoming the strong inflationary expectations mainly of the enterprise sphere a fundamental part of their antiinflationary policies for these policies to be successful.

#### Unemployment

The decline in output between January and April of this year raises the question of whether this is a temporary deviation from a long term trend, or whether March 1991 marked a sharp change in that trend. It can be expected that because of payments and sales problems in many industrial and construction enterprises unemployment will probably increase in the first half of this year. This will probably be concentrated in a few firms in a few of the most hard hit areas. There will be no great increase in new jobs any time in the near future.

The current decline in employment is much lower than the decline in output. Over time these two levels will converge, which will result in higher unemployment levels. In September we can expect increased tension in the labor market when new graduates of high schools and colleges enter the work force. This group, despite a number of assistance programs (retraining, supplementary courses) continues to experience high unemployment.

The gap between unemployment levels in the Czech and the Slovak Republics is widening. In Slovakia the impact of social problems and increasing social tensions resulting from the economic transformation will be a significant brake on economic reform. Results of public opinion polls on the economy indicate that the Slovak population is reacting more strongly to increases in prices, costs of living, and unemployment, and that Slovaks have greater fears of the affect of these developments in the future.

In terms of age the most heavily affected groups are young people under 25 (27 percent of the job applicants in the Czech Republic) and those 30-39 years old (26 percent of the job applicants). This indicates that unemployment of heads of households in families with young children will be one of the main causes of a decline of

these households to the group of households with social needs, i.e. to or below the poverty level.

The number of job applicants in retraining programs is less than one percent of the total. It is also true that job applicants from the regions with the highest unemployment account for the smallest percentage of those attending retraining programs.

As developments in recent months have shown, Czechoslovak unions will play a key role on the labor market. Their attitude to compliance with and the flexible adaptation of the General Agreement (and mainly their attitudes to forms of wage indexing) will have a large impact on the course of unemployment. World experience and the initial signs from the Czechoslovak enterprise sphere unambiguously confirm the existence of a link between efforts to maximize the minimum wage and high levels of unemployment.

A more moderate variant of the evolution of unemployment which extrapolates trends in declining output to the end of the year gives an unemployment level of about six percent by the end of 1991. This equates to about 500,000 unemployed. If we experience a decline in gross domestic product on the order of 10-15 percent, then unemployment levels could reach 8-10 percent by year end. One can assume that some regions will approach this level by the end of the year, and some may exceed it.

#### Jobs, or a Safety Net?

Support for new job creation should be a clear priority, therefore, for government economic policy. The future lies in the development of small and midsize companies that can absorb a significant number of laid off workers, while at the same time contributing to faster growth of production and services. Support for the small business sector is considered abroad to be one of the most effective forms of intervention, in terms of expenditures, for stimulating the growth of an entire economy.

Small business in Czechoslovakia, however, keeps running into the problem of a lack of basic capital. One way to resolve this is the creation of a loan guarantee system, in other words the offering of a government guarantee or payment of interest to a bank. In addition to financial assistance and guarantees, the government will have to provide small businessmen with advisory services, a system of information and brokerage services, and contribute through educational programs to the development of business capabilities and knowledge. Getting an active employment policy going will require the simplification of current laws and administrative requirements. Foreign experiences suggest that the implementation of an ecological program in the CSFR will also stimulate new job creation. Based on our estimates the implementation of an ecology program in 1991 could create 5,000 new jobs.

The sharp decline in the real value of employment and social incomes will result in a significant increase in the number of households requiring public assistance. At the start of 1991 about 15 percent of the households in the

CSFR could be classified as socially needy. It is expected that in the second half of the year that figure could increase to 27-35 percent of all households. Households composed of retirees with no one economically active, families with three or more children, and young families with children will account for more than their share of the socially needy. In specific social groups socially needy households may account for 60-90 percent of all the households in that group. An important factor influencing the eventual number of households requiring public assistance is the expected increase in unemployment especially if it impacts heads of household.

The accelerating decline in economic activity, the reduced purchasing power of households, and growing unemployment is reflected in declining demand from the general public. Because only half the households have resources available to compensate for the decline in income, attempts will continue to reduce expenditures. This does not affect food purchases so much as purchases of services, clothing, consumer durables, and energy. The physical decline in food sales for 1991 will be in the range of 10-20 percent, while the decline for consumer durables is estimated to be on the order of 25 percent, and for services about 33 percent. The decline in demand will be more evident in the first half of the year, when we will experience the echo effect of price deregulation.

The development of demand on the consumer market will be affected by social differentiation, and mainly the decline in the purchasing power of the socially weaker groups, which will be accounting for an increasing percentage of the population. Also evident is a strong tendency to put off purchases, because consumers anticipate an increase in supply and decline in prices, especially for consumer durables. These are just the goods for which price deregulation has not yet resulted in any

significant movement in prices relative to those prevalent in developed market economies. Over the short term one also cannot anticipate any great improvement in buying conditions or supplies of goods. The overthrow and overcoming of the objective and subjective rigidity of government trade (and production) demands a speeding up of small and mainly large privatization which will foster market motivated economic behavior from these entities.

Economic development in the first months of 1991 has had serious social consequences. The public is evaluating these developments very critically because their standard of living has declined. The level of social consensus regarding the methods and costs of economic reform has declined. The probability has increased that social unrest and a negative response to economic development will reach a level that will slow down reform steps. Economic policy should come to grips with these social risks.

The issue of unemployment and what to do about it will remain the top priority for 1991 and 1992. In this regard both support for new job creation and direct government activity in this area (retraining, participation in the conversion of regions and agglomerations, support for exports, for new businesses, etc.) are exceptionally important, even though the initial results, because of the delays already incurred, cannot be expected before the end of the year.

A second important sphere of activity is the building of a so-called safety net. The passage of a law on a minimum standard of living and its guarantee through a minimum social wage can make it possible for the real value of the incomes of socially weaker groups not to decline because of inflation below socially tolerable levels, and for these citizens to be assured modest, but acceptable living conditions.

**T.G. Ash: 'Vanishing' of Nationalism Likely**  
91CH0701A Budapest HETI VILAGGAZDASAG  
in Hungarian 22 Jun 91 pp 30-31

[Interview with British historian Timothy Garton Ash by Gyorgyi Kocsis in Budapest at a press conference marking the publication of the Hungarian edition of Ash's collection of essays *The Uses of Adversity*; date not given: "Interview With a British Expert on East Europe"—first paragraph is HETI VILAGGAZDASAG introduction]

[Text] Few even among the Western social scientists of East European origin have grasped as profoundly as Timothy Garston Ash has the mechanism by which the East European political systems operate, and the intellectual world and mentality of the people living here. He is 36 years old and a don of St. Anthony's College, Oxford. Based on his personal experience of the GDR, Poland, Czechoslovakia, and Hungary, the British historian has been publishing for the past ten years his analyses of the nature of resistance and dictatorship. The Europa-Szazadveg Publishing House has just published a collection of his essays entitled "A Balsors Edes Hasznai [The Uses of Adversity]." Timothy Garton Ash, too, visited Budapest to mark the occasion. During his visit, we asked him what odds he would give East Europe now?

[Kocsis] Public opinion in the West tends to make simplified judgments about East Europe. As a new manifestation of this simplifying mode of thinking, many people in the West are now asking: Why isn't there euphoria following the collapse of the communist systems? What is your answer to these people and, of course, to us as well? Because complaints of this kind are often being uttered also by our newfangled politicians.

[Ash] Sometimes I have the impression that the "Europessimism," which raged in the West in the 1980's, has now shifted to East Europe. Many people in the West gave up on West Europe then; they regarded integration, and also competition with America, as futile. Of course, only the symptoms are similar, but not the causes. One cause is perhaps that the old system simply lasted too long. And as Vaclav Havel said, practically everyone had contributed to some extent, no matter how small, toward the system's survival. Many people in the West thought earlier that those systems had been based on dictatorship. But the fact that the transition to democracy and a market economy is proving more difficult here than it had been in the case of the dictatorships in southern Europe proves to me that the adjective "totalitarian" describes them more aptly by far. Because, unlike in the case of dictatorship, the system's roots are embedded in society exceptionally deeply and densely.

[Kocsis] Does this explain also why the change of regimes has occurred without a revolution, although we do speak of a "velvet," a "peaceful," or a "silent" revolution?

[Ash] It would be wrong to speak of the countries of East Europe in general, but what actually happened more or less in Poland, Czechoslovakia, and Hungary is what I call "refolution," a peculiar combination of reform and revolution. Because the practically sudden and unexpected spreading of social protest was clearly perceptible—just think of those remarkable 10 days in Czechoslovakia. And at least equally important was the historically unprecedented phenomenon that the ruling elite simply lost its faith in its own right to rule and was ready to relinquish political power, in exchange for gaining some wealth and avoiding political accountability. Nor can we disregard the fact that these changes of regimes occurred in the immediate proximity of the Soviet Union, in a situation of dependence. Finally, I like to quote my friend, Adam Michnik, who also was asked why there had not been a repetition of 1789 in Poland? With reference to the opposition's cool-headed behavior, he replied: "Had we started with storming the Bastille, we would have ended with building a Bastille of our own."

[Kocsis] In your essays you analyze the relationship between the opposition and the communist power structure. But you do not seem to be attributing any particular significance to the opposition's internal division. Yet it turned out after the change of regimes that not the threat of a possible communist restoration presented the main dilemma, but the question of whether the conservative (in the East European sense), populist group leaning toward nationalism, or the liberal, "cosmopolitan" group within the opposition would gain power.

[Ash] Those distinctions had already been evident years earlier. But so far as, say, nationalism is concerned, that is not what had to be emphasized at the time, at least not before the Western public, because it would have given Western politicians yet another argument in favor of maintaining the status quo of the "Soviet Bloc." At that time, for example, many people in the British Foreign Office and the American State Department feared the Balkanization of Eastern Europe. But I would wait five to 10 years more before returning a final verdict. In these countries, I think, patriotism—or nationalistic pride, if you will—had to surface and play an important "icebreaker" role in the struggle against communism. The ice has already been broken and is even melting; momentum will continue to propel the icebreaker ahead for a time; but that motive force will probably vanish within a few years. Let us add that in East Europe, fortunately, nationalism manifests itself mainly on the verbal plane, in words. In seemingly stable Western democracies, meanwhile, the activists of the IRA or Basque ETA [Basque Fatherland and Liberty Group] are exploding bombs. British society has been living for a century with unsolved social problems. I think that we Westerners must not use a double standard.

[Kocsis] And how do you explain the fact that, after the change of regimes, the strongly right-leaning conservative parties scored such a significant victory over the "left-leaning" liberal parties, although the latter were

offshoots of the dissident movements that had openly fought against the old regime and had required personal bravery as well?

[Ash] In Poland, the old dissident elite gained considerable power. The contest between Walesa and Mazowiecki was a struggle between two such personalities. The same applies to Havel and his entourage. Havel, nevertheless, might have been right when he said that a "guilty conscience" may have kept many people from voting for the old dissidents. Their success today would have underscored even more the one-time indifference or cowardice of the conformist majority making its small compromises. Incidentally, I do not regard as very apt the use of the expressions left and right, liberal and conservative. In my opinion, for instance, the Thatcherist economic policy of the Free Democrats is farther right than the economic policy of the traditional right wing. Not to mention that the political parties of today will, I am almost certain, disappear within a few years—the same way the Spanish political parties emerging after the Franco regime's collapse had disappeared—and their place will be taken over by a Christian Democratic or Social Democratic coalition. True, the meaning of social democracy today is rather obscure, because the West European model has become uncertain, specifically as a result of the East European regimes' collapse. Not as if the Social Democrats in the West had accepted the Eastern regimes. But they were following with interest the economic "model experiments" conducted here. But now they are forced to admit that they have nothing better to offer than a variant of democratic capitalism. In my view, the truly important thing in East Europe at present is not what this or that party wants, but the very fact that several parties exist and are able to direct the social aspirations into constitutional channels. At the time when Utah wanted to join the Union, a condition for its admission was the existence of more than one political party. The leaders of the Mormon Church then called the people together in a cathedral and told them that democracy had to be created, and therefore the persons sitting to the right of the altar would be the Republicans, and the ones to the left would be the Democrats. I sometimes think that it would have been best if the same thing had happened in East Europe on 1 January 1990.

[Kocsis] It is perhaps one thing to join an existing democracy, and quite another thing to build a democracy from scratch, because the victors have no experience whatsoever of this "genre." That is why they tend to behave like the representatives of the old regime, and even to outdo them occasionally. Because, as you have mentioned, the old regime did not have very much faith in its own power. The victors, in their turn, are reluctant to dismantle the state from under themselves, claiming that it is no longer the same state.

[Ash] What Brecht meant when he said, "Whoever wants to make the world a better place cannot himself be good" is indeed a peculiar trap. Moreover, it is a fact that the initial stage of dismantling the old regime requires

definite action. In my opinion, perhaps a system of the kind that was able to produce a good constitution in Spain, for example, can prevent us from making big mistakes. In Spain, in addition to five or six smaller parties, there were two large parties, one of which was strong enough to form a government, but not strong enough to change the constitution without the opposition's support.

[Kocsis] From your book it would seem that many people in the West are lamenting the passage of certain East European "values" and are feeling nostalgic for the romantics of dissent. Is there really something to be sorry for?

[Ash] It is important that we not be sentimental. Furthermore, these "values" were enjoyed mainly by visitors from the West, and not by those who had to live under the given regime. In my opinion, one of the main values at present is the visible formation of a new "postwar" generation.

#### **Kupa Declares Affinity to Spanish Socialists**

*91CH0726B Budapest NEPSZABADSAG in Hungarian  
15 Jul 91 pp 1, 5*

[Interview with Finance Minister Mihaly Kupa by county correspondent Lajos Kovacs in Miskolc at a press conference marking the start of Kupa's election campaign; date not given: "I Think I Am Impact-Resistant," Kupa Says"]

[Text] Last weekend in Miskolc, an unexpected episode disrupted the Saturday press conference that marked the start of Finance Minister Dr. Mihaly Kupa's election campaign.

The minister has entered the ring in the 11 August election for the National Assembly seat vacated by Miklos Nemeth. Dr. Istvan Utasi—an attorney who, as the candidate of the Fatherland and Entrepreneurship Party, would like to represent the No. 11 Szerencs district himself. Utasi has accused Mihaly Kupa of grossly violating the candidates' equal opportunity and abusing his position as finance minister, by already providing financial advantages for some of the settlements in the district.

The finance minister, who is running as an independent but with MDF [Hungarian Democratic Forum] support, refuted the suppositions and said that he neither could nor wanted to persuade the government to approve unlawful financial advantages. He added that the state budget had set aside 28 billion forints for easing the crisis caused by overproduction in agriculture. And a committee attached to the economic inner cabinet was working on solving the problems of the underdeveloped regions. As finance minister, he could do no more for Borsod-Abaúj-Zemplén County than he could for the other underdeveloped regions. But as an economic expert and, hopefully, a member of the National Assembly, he intended to participate in the region's development, by offering ideas and advice, and restoring the self-confidence of the people.

Candidate Mihaly Kupa visited five small settlements along the Bodrog River on the weekend. There he informed the enfranchised citizens that, among other things, an East Hungary Development Bank was being formed with Italy's help, and several firms in Italy's Piemonte District were already working on the plans of a motorway to the Soviet Union that would run through the region.

Mihaly Kupa also gave our county correspondent an interview.

[Kovacs] From the questions they asked and the comments they made, it is evident that the voters are unable to set your candidacy apart from your position as finance minister. Some voters are expecting you to work miracles. Does that not bother you?

[Kupa] It is true that I am being welcomed everywhere as a minister, but I still would dislike having my candidacy linked with my position. In every one of my speeches I have clearly said that, if elected to the National Assembly, I would not give this district special treatment at the expense of other regions, because I would consider that immoral. I am unable to work miracles, but as a deputy I will do everything I can, to the best of my ability.

[Kovacs] It is being said of you these days that you would like to gain for the Finance Ministry more power than it now has. Would a seat in the National Assembly perhaps be a means to that end?

[Kupa] I do not want more power for the Finance Ministry. What I want is to make public finance and the economy more efficient. Incidentally, whatever I do in my capacity as finance minister concerns economic policy. And in that I want to be efficient. More efficient than at present.

[Kovacs] But that will involve a series of clashes. Witness your conflicts with the Ministry of International Economic Relations and the State Property Agency!

[Kupa] That is how it will be because, obviously, consistent implementation of the economic policy I am advocating will involve clashes. But then I will be able to endure them. I think I am impact-resistant.

[Kovacs] Will winning a seat in the National Assembly be of help to you in your struggle?

[Kupa] I do not think so. I would be stronger if I could feel that I have the support of about 60,000 people.

[Kovacs] How much truth is there in the rumor that your are able to rely on the support of the so-called 52 within MDF's parliamentary faction?

[Kupa] I am unable to form a judgment about that. My relations with the MDF faction as a whole are good. I am not picking and choosing among the members of the faction, nor do I know who belongs to which political orientation. Furthermore, I do not pay much attention to political orientations and labels.

[Kovacs] Which political orientation is the one closest to you?

[Kupa] If I were to form a political party, it would be similar to the Socialist Party in Spain. But bear in mind that I am concerned with economic matters, not with forming a party.

[Kovacs] It is also being rumored that Mihaly Kupa, knowing he can count on the support of the 52, could become a rival of Jozsef Antall, and not just within the MDF.

[Kupa] That is an enormous mistake. The prime minister is a politician, whereas I am a technocrat. I do not think that a technocrat should be made prime minister. I accept Jozsef Antall and consider him a good prime minister!

[Kovacs] If you win the election, where will you be sitting in the National Assembly.

[Kupa] Since the MDF is supporting my candidacy, I obviously would have to sit in the MDF bench. But it is still premature to talk about that.

#### **Antall's Letter to Goncz on TV Controversy**

*91CH0726C Budapest NEPSZABADSAG in Hungarian  
13 Jul 91 p 5*

["Text" of Prime Minister Jozsef Antall's letter to President Arpad Goncz from an article "Dictates of Conscience"]

[Text] Prime Minister Jozsef Antall has sent Arpad Goncz the following letter in reply:

Dear Mr. President,

I have received your letter of the 12th, in which you inform me of your unwillingness to appoint as vice presidents of Hungarian Television and Hungarian Radio, respectively, the nominees I have submitted pursuant to Law No. LVII/1990, even though the National Assembly's Culture, Education, Science, Sport, Television, and the Press Committee supports the nominations.

According to the information you have provided, the dictate of your conscience does not allow you to accept the submitted lists of nominees. Obviously, I too have followed and am following the dictate of my conscience in submitting them. I am truly pleased that you do not have any objections against the nominees—Gabor Banyai, Alajos Chrudinak, and Istvan Petak [for vice presidents of Hungarian Television], and Edit Kiraly, Endre T. Rozsa, and Janos Sedianszky [for vice presidents of Hungarian Radio]—nor query the legality and constitutionality of, respectively, their nomination and questioning by the committee.

Because passage of the media bills in the National Assembly, and the matter of appointing vice presidents pursuant to the cited 1990 law—which, incidentally, was passed by a vote better than the required two-thirds—are not related in any way, I do not share your opinion. The



operation of Hungarian Television and Hungarian Radio is the government's responsibility and is not subject to agreement among the political parties. The less so because the nominees are not party politicians, but professionals already working for Hungarian Television and Hungarian Radio. It could be months before the media bills gain the two-thirds vote required for passage, so that the affairs of Hungarian Television and Hungarian Radio might then be settled on the basis of the enacted laws. That long a delay cannot be tolerated responsibly in the present situation. Therefore, Mr. President, I again offer for your consideration the appointment of the nominees whose nominations the National Assembly's Culture, Education, Science, Sport, Television, and the Press Committee lawfully supports. In accordance with my responsibility mentioned above, I will countersign the appointments.

Naturally, I am informing of your standpoint the speaker of the National Assembly and the chairman of its Culture, Education, Science, Sport, Television, and the Press Committee.

Wishing you, Mr. President, further pleasant summer holidays, I remain

Respectfully yours, Jozsef Antall

#### **Interior Minister's Warning on 'Extremist' Groups**

*91CH0726A Budapest NEPSZABADSAG in Hungarian 13 Jul 91 p 5*

[Interview with Interior Minister Peter Boross by Miklos Merenyi in the Parliament Building after summation of the debate on the local government property bill; date not given: "Boross's Enigmatic Fear"]

[Text] Ending his summation of the debate on the local-government property bill, Interior Minister Peter Boross digressed. He warned the parliament that there are groups in the country which have considerable financial backing and might stage in the near future demonstrations that could threaten the country's democratic system. In the National Assembly's corridor we were able to catch up with the minister and to ask him what threat he had referred to in his speech.

[Boross] In my capacity as interior minister, I warned the deputies before the commencement of the summer recess that certain extremist groups exist in the country and are gaining ground here. They have considerable financial backing and are threatening public order, in part by organizing demonstrations, and in part through other initiatives. Specifically our domestic tranquility is what makes our country attractive to international financial capital. There is no doubt that these forces might be planning something for the autumn, and perhaps the participants are not even aware of its actual purpose.

[Merenyi] What type of groups do you have in mind—trade unions, demagogic political groups?

[Boross] I do not wish to discuss this in greater detail. I have merely called attention to a phenomenon. Parliamentary democracy cannot endure the excessive virulence of nonparliamentary extremist forces, because their objective is always the querying of constitutional order.

#### **Ex-Communist Official Heads Compensation Office**

*91CH0702A Budapest HETI VILAGGAZDASAG in Hungarian 22 Jun 91 p 95*

[Untitled interview with Sandor Tutos, chairman of the Compensation Office, by Andras Lindner and Zoltan Horvath; place and date not given]

[Text] "A sure way of committing suicide, many people told me when I accepted my appointment as chief of this office. But I feel it is my mission to uncover injustices," explains Sandor Tutos. He will be 45 this year and was born in Debrecen, into a working-class family. "When I was 12, my mother became a single parent. At the age of 14, I wanted to become a mechanic. We thought that the Budapest school I was applying to was a real secondary school. We found out only later that it offered education merely for industrial apprentices. In the end, I stayed anyhow," Tutos recalls. He graduated with distinction in 1963 and went to work for MAV [Hungarian State Railways] in Debrecen as a mechanic. In 13 years he advanced to foreman; meanwhile, at the Fazekas Secondary School in Debrecen, he made up for his original mistake regarding "enrollment." He graduated with a first-class graduation certificate, was included in the plan for the development of cadres, and sent to a course to prepare him for admission to law school. At the age of 31, the ambitious worker-cadre became a student once again. He obtained a summa cum laude law diploma at the age of 35, from [Lorand Eotvos University's] Law Faculty in Budapest. Tutos then left MAV and became professor's assistant at the Heavy Industry Technical University's Department of Public Administration Law, in Miskolc. In the meantime he earned additional diplomas, all of them with first-class honors. He holds separate certificates in computer science and systems engineering. This summer he is defending yet another diploma, this time in foreign marketing, at the College of Foreign Trade. Amidst the intensive studying while teaching, in 1989 (still at the time of the Nemeth cabinet) he transferred to the Interior Ministry, to become chief of the administrative department, under Minister Horvath, "the elder." In September 1990 he became chairman of the Compensation Office, which was established at the time to record the losses the previous regime had caused, and to provide compensation for them. He was a member of the MSZMP [Hungarian Socialist Workers' Party] from 1967 until 1989, but did not join the MSZP [Hungarian Socialist Party]. "Now I am not a member of any party," says Tutos at the end of recounting his political career. But he takes care not to become soft. "I jog even now and am also weight lifting. In the Interior Ministry's gym, lying on my back, I can still lift 80 kilograms," he warns. The chairman is living

with his second wife, a doctor specializing in radio isotopes. They are raising three children.

[HETI VILAGGAZDASAG] You were 31 when you applied for admission to the university. What recommendations did you take with you to your entrance examination?

[Tutos] I sat for my entrance examination, like anyone else. In the end I won admission by the skin of my teeth, with 16.5 points. Admittedly, even in the second semester I could hardly believe that I, too, was a university student.

[HETI VILAGGAZDASAG] Cadres like you usually attended night school. But you enrolled in full-time study.

[Tutos] MAV gave me a scholarship of 3,000 forints [per month]. Needless to say, that did not stretch far. I worked nights for dairy-industry enterprises and cold-storage plants. I loaded chickens and cleaned cages.

[HETI VILAGGAZDASAG] Is that why you became annoyed with MAV?

[Tutos] Because I was under contract with MAV, I was planning to return there. I thought I would be defending railroad workers before the courts. The Heavy Industry Technical University in Miskolc opened its Law Faculty about then, and they contacted my workplace in Debrecen. My superiors were gracious also on this occasion, and I was able to switch track.

[HETI VILAGGAZDASAG] Still at the time of the massive one-party system, you published a study entitled "Tactical Questions of Multiparty Elections." Who commissioned that study?

[Tutos] That was still back in 1989. A few of us were sent on a study tour to Tampere, Miskolc's sister city in Finland. The then chairman [of the municipal council] was already preparing for the new situation.

[HETI VILAGGAZDASAG] But you transferred to the Interior Ministry. True, that was already when Miklos Nemeth was prime minister. But even then only absolutely reliable cadres could get in there. Who or what determined that you qualified as such?

[Tutos] An old friend from the university invited me there. I went through the customary Interior Ministry screening. Which meant that also the careers of my relatives were examined.

[HETI VILAGGAZDASAG] What attracted you to the Interior Ministry?

[Tutos] The fact that I could gain insight into what to me was a completely closed world. Few people before me had seen the archives kept there. The files on how the lives of people had been ruined, and on what means were used to extract information from individuals.

[HETI VILAGGAZDASAG] Did you not regret becoming an official of the Interior Ministry?

[Tutos] Perhaps only when the question of my appointment to this office arose, and I was reproached for my "past." But two months after I started working at the Interior Ministry, everyone there addressed me as Mr. Tutos. I brought new color to that institution. I offered tea to visitors coming to see me. Earlier that would have been inconceivable. I received commendations from both Ministers Horvath. I subscribe to the principle that implementation must be free of politics.

[HETI VILAGGAZDASAG] Were you given a rank and a uniform?

[Tutos] They asked me whether I wanted a rank and a uniform, but I declined. Even though my position would have corresponded to the rank of colonel.

[HETI VILAGGAZDASAG] Is that why you were able to retain your position even after the change of regimes? We heard that many people had objected to you personally.

[Tutos] Perhaps the objections were not directed against my person. Rather, they wanted someone in this chair who himself had suffered injustice. Yet, in my opinion, specifically such a person would not have been desirable ethically. What was needed here was not a politician, but an administrator to handle a task that is unique in Hungary.

[HETI VILAGGAZDASAG] A person like yourself. Do you know by now just what you have undertaken? Do you have any regrets?

[Tutos] No. I am over the first shock. At the beginning, of course, I did not know what awaited me.

[HETI VILAGGAZDASAG] Has your office established already how many cases are involved?

[Tutos] So far we have received 400,000 claims. The way it looks to me now, about 250,000 claimants will be entitled to compensation for injustices they had suffered in 1938-63. We are now in the process of determining how many claims there will be for the 1963-89 period. Here, too, we can expect several tens of thousands of claims, in my opinion.

[HETI VILAGGAZDASAG] Presumably the claimants are doing everything they can to have their claims processed as soon as possible. How can you avoid corruption? What kind of salaries are you able to offer?

[Tutos] The computer system rules out the possibility of any fiddling. In addition, I am planning to raise the average salary to between 30,000 and 40,000 forints in the near future. And before you ask me, my gross salary is 62,500 forints.

[HETI VILAGGAZDASAG] What will you do if a bigwig nevertheless attempts to exert influence in a given case?

[Tutos] The telephone calls have already ceased. All claims are being processed in the order they were

received. We accept requests for priority only from organizations. Incidentally, I am trying to avoid such requests.

[HETI VILAGGAZDASAG] Tell us, did you expect the Constitutional Court to "intervene" in the Compensation Law? Did you recognize its weak points?

[Tutos] As a lawyer, I felt in my bones that many things were on the borderline of constitutionality. We were prepared for both possible outcomes: to be able to stop immediately, or to start implementation immediately.

[HETI VILAGGAZDASAG] In your opinion, is equitable compensation at all possible?

[Tutos] There is no such thing. It is inconceivable in violations of either individual freedoms or ownership. I can imagine only approximate equitableness.

### Commercial Banks' 'Painful Inheritance'

91CH0703A Budapest HETI VILAGGAZDASAG  
in Hungarian 29 Jun 91 pp 90-91

[Article by Eva Varhegyi: "Doubtful Loans; Cleanup Drive"—first paragraph is HETI VILAGGAZDASAG introduction]

[Text] Regardless of how "good a family they came from," the dark cloud of bad loans is a blemish on the present commercial banks' past. The economic inner cabinet decided last week how to rid the banks of their painful inheritance.

The banking system's reform in 1987, in the course of which the financial administration split off from the central bank the operations normally performed by credit banks, will soon be shrouded in the fog of history. The newborn commercial banks not only received greater independence as their dowry, but they also had to assume their share of the family's burden. A good many of the customers inherited by the three banks created from the former credit departments of the Hungarian National Bank (MNB)—namely, the Hungarian Credit Bank (MHB), the National Commercial and Credit Bank (OKHB), and Budapest Bank (BB)—have not repaid to this day the loans they had obtained before 1987. In view of these customers' present financial situation, it is not very likely that these loans will ever be repaid.

Lacking sufficient reserves, the commercial banks could not have written off their frozen (so-called bad) loans to insolvent enterprises even if they had wanted to. It is likewise true that the banks' self-interest did not prompt them to write off such loans, either. By renewing the loans due or providing new ones, the banks were able to pocket the same interest income as in the case of loans to creditworthy customers. That is because Hungarian regulations, in a departure from international practice, enable banks to include also their bad loans among their assets, while the reserves against bad loans are not shown separately among the liabilities.

This is how the peculiar situation could recur year after year that the banks were able to report large profits in

their financial statements—and to pay from those profits a huge tax bill to the state, and also dividends to their shareholders (including the state as the largest shareholder)—while their net worth did not amount to a plugged nickel, because of the extremely high risk of their lending.

It is no accident that the idea of liquidating the commercial banks' bad loans—which the banks had kept renewing over a good four years and had added to them considerably "on their own initiative" during that time—first arose when the government began to draft a banking bill that conforms to European standards. For Hungarian banks can be respectable (and creditworthy) in foreign capital markets only if they meet international standards that safeguard depositors and investors. But a basic condition for meeting those standards is that the banks write off their lending losses from their profit, reserves and capital, respectively; furthermore, that they set aside adequate reserves against possible future losses.

However, for the three large banks jointly, their portfolio of questionable (and probably unrecoverable) loans threatening lending losses is so large, in relation to their capital and reserves, that the debate within the financial administration in conjunction with cleaning up the banks' financial statements was not so much on the need to provide aid, but on the extent of aid and how to provide it.

One of the questions raised was responsibility for the lending decisions behind the questionable loans. In other words, who should assume responsibility, and to what extent, for the bad loans disbursed before 1987? The Hungarian National Bank, the successor banks, or the "impersonal" state that must pick up also in other instances the tab for the losses resulting from earlier government decisions? But the commercial banks' sole responsibility is not unambiguously clear even in the case of bad loans disbursed after 1987, because the political and economic-policy pressures behind their decisions were often the same as before. Of course, the question of responsibility is interesting not merely, and not primarily, from a moral point of view. It is interesting mainly from the viewpoint of sharing the burden—i.e., deciding who will bear what proportion of the costs.

**Banks and Figures (Billion Forints), per 1990 Financial Statements**

|                | Budapest Bank | Hungarian Credit Bank | National Commercial & Credit Bank |
|----------------|---------------|-----------------------|-----------------------------------|
| Doubtful loans | 10.6          | 9.8                   | 16.1                              |
| Net worth      | 8.4           | 15.6                  | 19.4                              |

Another question, of at least equal importance, concerned the manner of settling the losses. Was a solution possible that would make the banks respectable within a relatively short time, and simultaneously induce them to assume an active role, respectively, in liquidating the foci of their losses and in nursing back to health the

ailing but curable enterprises? For a one-time cleanup of the banks' financial statements is not worth anything if the insolvent borrowers are then reproduced.

After lengthy preparations and debate, the economic inner cabinet finally came to a decision the other day, at least regarding the first question: The government will provide assistance to the banks concerned only for the questionable loans they inherited from before 1987, with an estimated of 20 billion forints at most. And it will do so by letting the state budget provide loan guarantees over five years for half of this portfolio of doubtful loans, while the other half will remain the banks' responsibility.

This decision—together with the provisions of the banking bill that will be introduced in Parliament soon—will compel the banks to write off and charge to their reserves as soon as possible the inherited questionable loans (most of which are actually bad, unrecoverable loans), because then half the loss will be assumed directly by the state budget. Of course, if a questionable loan turns out to be recoverable after all, the state loan guarantee will not apply. But a subsequent decision will have to determine how to divide the at most 10-billion-forint appropriation for loan guarantees among the individual banks and loans, respectively. For it is not indifferent whether the state loan guarantees apply to truly unrecoverable loans or to ones for whose servicing there is still some hope.

Thus the question of sharing the burden has been decided. Because the banks will be able to charge their lending losses also to their costs—i.e., to their profit before taxes—once the new Banking Law will have been enacted, the state will be contributing toward the cleanup of the banks' loan portfolios also in the form of lost tax revenue, over and above the appropriation for loan guarantees. (That, of course, is a generous gesture only in comparison with the previous situation when the state was collecting tax even on "fictitious" profits.) Thus, in practice, every forint of the banks' burden will be matched by three forints of subsidy from the state budget.

Although it is reassuring that the government has adopted a decision at least on liquidating the inherited doubtful loans, the more difficult problem has yet to be solved. The larger part of the banks' current doubtful loans comprises loans provided or renewed since 1987, and their proportion is increasing daily with the Soviet market's collapse. But the banks themselves will have to develop a strategy for solving this problem. Perhaps the tip of the iceberg will soon melt, but the ships still might be holed.

#### Anti-Semitic Book 'Selling Like Hot Cakes'

91CH0726D Budapest NEPSZABADSAG in Hungarian  
13 Jul 91 pp 1, 4

[Article by Katalin Honti: "They Are Printing Hitler in Szeged"]

[Text] An upset reader telephoned our editorial office and told us to look into what kind of books are being sold

in Budapest—books that are promoting *Mein Kampf*. We soon got hold of a copy. It was one of the last copies available in a large bookstore in downtown Budapest.

The book in question is a distinctive product, 220 some pages, printed on paper of good quality. "They are selling like hot cakes," one of the booksellers allegedly said. He saw nothing wrong with disseminating the published work of Aron Monus. What published work are we talking about? Its title is *Osszeskuves: A Nietzschei Birodalom [Conspiracy: The Nietzschean Empire]*. The publisher is identified as a certain Interseas Editions, on the Isle of Man (a self-governing dependancy of the British crown). The publisher's address is National House (which could also be an institution, not just a building), Santon.

The volume comprises seven chapters and a supplement, brimming with racism and anti-Semitism from beginning to end. It is a rather muddled and incoherent writing. If we wanted to offer a summary of the book's content, we could say the author is attempting to prove that a Freemason-Jewish Zionist-communist-plutocratic conspiracy has either been holding the world in its power or has been trying to subjugate it, for centuries.

The titles of the chapters read as follows: I. Freemasonry Intentionally Promoted the Holocaust; II. Jewish Freemasonry Backed Adolf Hitler Financially; III. Adolf Hitler, the Quack Agent of Zionism; IV. The Common Ideology of Hitler's Reich and the Freemasons' Empire; V. The Jewish-Freemason Imperial Council; VI. To Be a Freemason, One Form of Jewish Existence; VII. Kurt Waldheim's Innocence; VIII. The Messiah Could Yet Be a Gallows Bird. The supplement contains Freemason correspondence, in French, as well as the interviews the author gave DELVILAG of Szeged. In those interviews Aron Monus attacked only the Freemasons—who attempted to take him to court—but did not yet expound his racist views.

In the final outcome *Conspiracy* is a rehash of *Protocols of the Learned Elders of Zion*, a forgery that has been refuted time and again. To it the compiler has added ample—more than 20 pages—of excerpts from Hitler's *Mein Kampf*. Since 1944, this is probably the first time that nazism's fundamental work has appeared in Hungary.

Aron Monus not only recounts the activities of various Masonic lodges and presents their correspondence with one another, from all of which he draws conclusions regarding a worldwide Jewish conspiracy. He also expresses his opinion of Hungary's present political parties: "Among the Hungarian political parties that are at present under Masonic influence we should mention first of all the Alliance of Free Democrats—mostly a haven for former Communists—and the Federation of Young Democrats—mostly a meeting place for the offspring of former Communists. A plank in the respective platforms of these parties calls for relinquishing a part of Hungary's national treasures to its Western conquerors,

in repayment of Hungary's foreign debt. What the mentioned parties are now fighting for, under the guise of privatization, is to cast confiscated property, for pennies, before the criminal gang aspiring to conquer the world. ....In Hungary today, the Freemasons are no longer voicing socialism's world-redeeming promises. Now the members of the sect are liberals, promising complete freedom. They are extolling incomprehensible principles and promising the realization of unattainable objectives."

To inquire about the book, our correspondent phoned Aron Monus at the latter's home in Hodmezovasarhely. Aron Monus immediately offered to dictate onto tape the written statement he had prepared earlier. The following is the part of the statement pertaining to the book:

"This volume is the Hungarian translation of the fourth and last part of the author's book, written in French and scheduled to appear soon in Switzerland. As evident from the book's title, its subject is a conspiracy directed against nations, including the Hungarian nation. The purpose of the conspiracy is the creation of a world empire, based on Nietzschean ideology. We know that this ideology was also the foundation of Hitler's Reich. It led to the extermination of 6 million poor, Central European, little Jews in order to achieve domination by the superior race.

"The volume sheds entirely new light on Freemasonry's role in the two world wars, the Treaty of Trianon, and the Nazi Holocaust, among other things. It recalls that Freemason bankers had helped Hitler to power, in the hope of huge profits, and not just financial ones. After the downfall of nazism, the conspirators first unleashed communism, together with poverty, on several hundred million people. Now they are continuing to build their empire under the guise of liberalism. As to its genre, the book is an historical treatise. But it can be read also as a crime story. It reveals details from the secret protocols and documents of the international conferences held by Freemasonry's high command, presents the photograph of a minister of state in the secret imperial government, etc."

After dictating his written statement, Aron Monus told us that he had left the country in January 1957 and was maintaining his permanent residence in France even now. In Hodmezovasarhely he owned a house and land, and was now staying there. And that he still had very much to say on the subject discussed in his book.

Szeged Press produced the book. Its director, Tibor Molnar, informed our correspondent that the French publisher, Interseas Editions, had written Szegedi Nyomda in May to place an order for printing the book. The publisher designated Aron Monus as its agent, authorizing him to handle matters with the printer and to settle the bill. Of the 5,000 copies printed, Monus had already taken delivery of 3,000 copies, after paying for

them. The remaining 2,000 copies were in storage. Monus could have them upon paying the balance of his bill.

Concerning the content of the book, that was always the publisher's responsibility, the director said. The printer, who simply carried out the publisher's instructions, bore merely technical responsibility.

### Trade Union Law Both Praised, Condemned

#### Independent Unions' Praise

91CH0727A Budapest NEPSZABADSAG in Hungarian  
13 Jul 91 p 7

[Unattributed article: "The Operation Was Necessary, Forgacs Says"]

[Text] Bela Kalmar, an executive of the Democratic League of Independent Trade Unions, issued a statement on Friday at noon, shortly after passage of the Trade Union Law.

"Although belatedly, the Trade Union Law could create an unambiguous situation," Kalmar said. "I am using the subjunctive mode because one cannot tell as yet how the MSZOSZ [National Federation of Hungarian Trade Unions] will respond. But I am able to say with full responsibility that practically nothing else has changed with the law's enactment, merely our defenselessness and the MSZOSZ's monopoly have ceased. Now we finally are able to conclude agreements with one another as equal partners with equal rights. And the agreements, pursuant to the law, can cover anything. The trade unions will be able to establish banks and even insurance companies. If the MSZOSZ does not make the law's enactment a prestige issue, and truly wants to promote the employees' interests as it has been insisting up to now, then the League will not hamper such activities," Kalmar continued. "If the Trade Union Law is submitted to the Constitutional Court for review, we do not expect the court to make any meaningful changes in the law's provisions."

Pal Forgacs, the League's chairman, added: "This was an operation that the seriously ill patient needed to start off on the road to recovery."

#### Workers' Council Approval

91CH0727B Budapest NEPSZABADSAG in Hungarian  
13 Jul 91 p 7

[Interview with Imre Palkovics, deputy of the National Assembly and chairman of the National Association of Workers' Councils, by Gergely Bartfai in the Parliament Building on 11 July: "The Law Will Pass Even the Test of the Constitutional Court, Palkovics Claims"]

[Text] In the Parliament Building on Thursday, we interviewed Deputy Imre Palkovics (MDF [Hungarian Democratic Forum]), the chairman of the National Association of Workers' Councils and one of the sponsors of the trade union bill.

[Bartfai] The news that the representatives of all trade-union federations except the Democratic League of Independent Trade Unions—but including also Jozsef Bajtay, the deputy chairman of the National Association of Workers' Councils—had signed an agreement proposed by the MSZOSZ [National Federation of Hungarian Trade Unions] on the division of [trade-union] assets created a sensation a few weeks ago. But you people soon withdrew from the agreement. Why?

[Palkovics] The dispute over the division of trade-union assets has been going on for almost two years, because the proposals of the MSZOSZ have always been unacceptable to us. In spite of this, the Council of our association felt that the talks should continue. At the same time, however, we did not exclude the possibility of turning to the parliament. Therefore the contention that the introduction of the bill in the parliament was sudden and unexpected is untrue. The MSZOSZ had to know what would happen if we failed to agree. Perhaps they had not believed that we had that much political clout, and that is why this step has left them in a shock.

At those talks in question, our representatives had not expected that an agreement would be reached there and then. In the given situation, they thought they were signing merely a joint communique that could become the basis of a subsequent agreement. When the Council of our association asked our representatives what guarantees there were to ensure compliance with the agreement, they were unable to provide a satisfactory answer. Therefore the Council decided to withdraw from the agreement. Undeniably, that did cause some minor annoyance internally, but it also proved that there is democracy within our organization.

[Bartfai] Some people concluded from this decision the existence of two orientations within the workers' councils. One favors an agreement among the trade unions, and the other would prefer to place the matter before the parliament.

[Palkovics] That conclusion is false. And so is the Socialist Party's accusation that we have withdrawn from the agreement under political pressure. We all want to protect as effectively as possible the interests of the employees lined up behind us, and there are no differences of opinion among us on this issue. We are the organization adversely most affected by the absence of operating conditions, and that is why we must strive to ensure such conditions. The parliament's decision will serve as a guarantee for us.

[Bartfai] According to the MSZOSZ and the MSZP [Hungarian Socialist Party], the purpose of the Trade Union Law is to break up an effectively functioning interest-representing organization. What do you say to that?

[Palkovics] I am reluctant to rate others, but our opponents are doing the same thing in this tense situation. Two years ago, as a blue-collar worker, I did not rate the MSZOSZ as an effective organization, nor do I regard it as such today. Although it is trying to become effective,

the facts cannot be avoided. In my experience as a deputy of the National Assembly and a workers' council leader, the people at the workplaces do not see any sign that the MSZOSZ is functioning effectively, or functioning at all. The employees are at the employers' mercy. That is why we decided to turn to the parliament. Specifically this law will create a level playing field for the trade unions, and that could eventually become the basis of truly effective representation of interests.

[Bartfai] The opponents of your bill consider it unconstitutional and even in conflict with international treaties. In your opinion, would the Trade Union Law pass the Constitutional Court's scrutiny if it were submitted to the court for review?

[Palkovics] I am very glad that you have brought up this question. Although Gyula Horn accused us, the bill's sponsors, of being emotional, the bill's parliamentary debate speaks for itself. They have tried to block passage of the bill by misleading public opinion and the employees. Experts and constitutional lawyers also took part in the debate in committee. Perhaps there might have been debatable provisions in the introduced bill, but I am convinced that the passed final version will be able to stand the test of either the Constitutional Court or even international forums.

### **Hungarian Socialist Party's Condemnation**

*91CH0727C Budapest NEPSZABADSAG in Hungarian  
13 Jul 91 p 5*

[Unattributed interview with Rezso Nyers, a member of the Hungarian Socialist Party faction in the National Assembly, presumably in the Parliament Building on 12 July: "We Are Following an Ignominious Tradition"]

[Text] [NEPSZABADSAG] Isn't there the danger that such spectacular walkouts might shake the voters' confidence in parliamentary democracy?

[Nyers] No, there is no such danger at all. This form of protest is available to every M.P. A walkout is perhaps the strongest protest, but it still fits within the framework of parliamentary democracy. Nor is this the first walkout in the new Hungarian parliament's history. I predict that similar absences can be expected if further bills are introduced that divide society.

[NEPSZABADSAG] In your opinion, what effect will this law have on organizing labor, on the trade-union movement?

[Nyers] The parliament will be unable to prevent labor from organizing. In the course of our history we did have at one time a parliament that banned by statute the organizing of labor, and the present parliament is now following that ignominious tradition on this issue. I consider this law lamentable only because it has been enacted by a democratically elected parliament. This will be a sad episode in Hungary's history, but only a minor one. It will not stop the trade unions' organizing activity.

**Exceptional Legislative Proceedings Authorized***91P20433A Budapest MAGYAR KOZLONY  
in Hungarian No 42, 20 Apr 91 pp 857-859*

[Editorial Report] Budapest MAGYAR KOZLONY in Hungarian on 20 April 91 pages 857-859 carries the full text of a National Assembly Resolution which amends the existing House Rules to authorize a new "exceptional" legislative proceeding for legislative action on proposed laws and National Assembly resolutions [hereinafter jointly: "proposal(s)"], and which includes conforming amendments to the House Rules on various legislative functions and processes already provided for by the Constitution and other law.

An exceptional proceeding (Paragraph 49/A-E of the House Rules) may be requested from the time a proposal is introduced until three days before the proposal is placed on the agenda. No exceptional proceeding may be requested for proposals subject to the approval of a two-thirds majority; an exceptional proceeding must be discontinued if in the course of debate a no confidence motion against the prime minister is sought. A two-thirds majority of the representatives present may declare that an exceptional proceeding is urgent. The affirmative vote of a two-thirds majority of the representatives present cast without prior debate but following possible introductory remarks by the proposal's sponsor is required to order exceptional proceedings.

Based on the order, the President of the National Assembly assigns a parliamentary committee jurisdiction over the proposal. Amendments to the proposal may be submitted within 21 days of the proposal, but the deadline may be advanced by a vote of a two-thirds majority of the committee members present. The deadline for receiving amendments to an urgent exceptional proceeding is eight days, which cannot be advanced. Once these deadlines have passed, only amendments to previously introduced amendments may be introduced by representatives outside of the committee, until the completion of committee action. Members of the committee may introduce any amendment to the proposal in the course of committee action. The committee must invite a representative of the Justice Ministry to the committee meetings, and the committee may revise its report upon recommendation by the president of the National Assembly, the cabinet or any other parliamentary committee. Members of the parliament may testify at the hearings and closed committee meetings excluding other parliamentary representatives must not be held.

The National Assembly acts upon proposals subject to exceptional or urgent exceptional proceedings at its first session following the conclusion of committee action. Plenary debate is limited to the remarks of a cabinet representative, a report by a member of the committee having jurisdiction, remarks by one member from each parliamentary faction, and the first independent representative seeking the floor. Thereafter, "the National Assembly renders a decision. The National Assembly casts votes only with respect to amendments which gained the support of at least one-third of the designated

committee's members present at the time the committee acted." The margin of vote required for the final approval of the amendments and of the proposal as a whole is not stated in the House Rules.

Other amendments to the House Rules of a conforming nature include provisions for a no confidence vote against the prime minister, as authorized earlier by an amendment to the Constitution. Budapest MAGYAR KOZLONY in Hungarian No. 47, 3 May 1991 pp 908-920 carries the full text of the revised House Rules.

**Draft Agreement With EC Committee Published***91P20434A Budapest MAGYAR KOZLONY  
in Hungarian No 54, 21 May 91 pp 1,000-1,006*

[Editorial Report] Budapest MAGYAR KOZLONY in Hungarian No. 54, 21 May 91 pp 1,000-1,006 carries the 4,000 word text of a draft international agreement between the Committee of the European Communities and Hungary. The parties agree to implement "measures" in the fields of financial, technical, and other cooperation "to support the economic and social reform process in Hungary." Specific projects will be advanced in the form of separate "memoranda," and the present text does not detail individual measures.

Specific conditions contained in Appendix A restrict the origin of goods and services to the EC and Hungary. Other conditions pertain to limitation of costs to the EC, project financing and payment arrangements, rules for procurement and contract award, privileges and benefits to be enjoyed by personnel assigned abroad, importation and reexportation of goods, import and foreign exchange transactions, taxes and customs duties, audit and consultation, and other administrative matters. Appendix B provides rules for arbitration proceedings.

**State Accounting Office Law, Situation Discussed****Law, Parliamentary Relations Described***91CH0785A Budapest FIGYELO in Hungarian  
11 Jul 91 p 9*

[Article by Vilmos Falubiro: "New Law About the State Accounting Office: Do We Need a Joker Instead of an State Accounting Office?"]

[Text] The ASZ [State Accounting Office] provided much more ammunition to the legal foundation of economic transition than the legislature was capable of using. The parliament seems to be "harnessing" the ASZ through the new legislative proposal.

A legislative proposal providing new rules for the functioning of ASZ will soon be presented to the National Assembly. At the same time present rules applicable to ASZ enacted a year and a half ago will lose force. The new law does not make major changes significant enough to even come close to the importance of structural issues piling up on desks in the parliament. It was written even before the grace period of the first law expired, and before solid facts concerning the functioning of ASZ would have become known.



The fact that an extremely overburdened National Assembly struggling with a backlog still found time to bring this less urgent law under roof may be explained by a desire end the months long siege on the ASZ, in addition to the declared purpose (e.g., the elimination of people's control traditions which presumably continued to live on). This way the exchange of shots between the National Assembly Committee on the Budget, Taxation, and Finance and the ASZ, tarnishing the prestige of the legislature in the clear view of the nation would cease. The issue pertains to the unlawful situation that arose as a result of rejecting the ASZ' 1990 annual report and 1991 budget, and to interference with the internal affairs of this sovereign state institution. The committee came very close to halting and suspending the financing of development projects needed for the functioning of the ASZ.

It would be easy to say that all this belongs to the past, the new law is important and long live the new king.

But would it be appropriate to count our chicken before they hatched? One cannot simply bury the hatchet because the stakes are high and diverse. At issue is the extent to which organizations like the ASZ, which by virtue of the Constitution enjoy independence, will be able to uphold their sovereignty under new conditions in the future, and whether the competent parliamentary committee will guarantee the conditions needed for their functioning. Was the ASZ accorded the same freedom to act as other national institutions which are independent from the cabinet (Constitutional Court, Supreme Court, Supreme Prosecutor's Office, Television, Radio, Hungarian National Bank)? Has the Committee established a necessary minimum regulatory framework for fields of activity and institutions under ASZ jurisdiction so as to permit the ASZ to develop a consistent regulatory practice? And of no less importance, is the National Assembly going to be a partner in this effort, capable of competently utilizing the conclusions drawn from audits performed by the ASZ?

To put it mildly, it is uncertain whether the ASZ can be stabilized solely on the basis of the legislative proposal. At first sight one notes that the number of paragraphs have been increased from 26 to 31. The new proposal is definitely more regulatory in character than the first one. The ASZ' autonomous decisionmaking authority has been reduced in several respects. More restrictions contained in the new proposal increasingly render the ASZ subject to hands on management by the parliament. And as far as the effects of these provisions are concerned, they too are reminiscent of the state party world when directions came "from the top down."

The system of so-called preliminary examinations that was not recommended by the ASZ and which was included without the concurrence of the ASZ, figures heavily among the specific requirements. Instead of leaving the intensity of relations, alternatively the degree independence the ASZ wishes to maintain in its proceedings affecting the various institutions to the ASZ accountants, the proposal would prohibit the ASZ from

accepting any audit request from the Council of Ministers, and from conducting joint audits. On top, the new legislative proposal—and this must be stressed at this time—prescribes with what appears to be excessive precision the frequency of audits to be conducted, the deadlines for providing information to parliament, the contents of reports (e.g., even the type and character of the report to be submitted to the parliament concerning completed sequestrations), compliance with secrecy requirements and the responsibility of accountants who conduct the audits.

The ASZ' autonomy is also weakened by provisions which, for example, reduce the number of deputy chairmen from two to one, and the term of office of the chairman and deputy chairmen from 12 years to nine years. Consequently, the law also serves well (or is it a pretext for) the changing of the "cadre" structure!

Based on semblances, one gets the impression that the legislators are doing a thorough job. The more the real purpose becomes apparent, i.e., to base the relationship of the ASZ and the parliament on momentary conditions of political power and to apply detailed rules to an institution in its training stage, the more vulnerable the legal provision becomes. This then increases the chance or threat of an early redrafting of the rules applicable to the ASZ.

The parliament has good reasons for placing the ASZ under its authority of course. While the parliament pays relatively little attention to other national institutions which are also subordinate to the parliament, it has good reason to mold the ASZ into a closely controlled, tightly knit organization, because by virtue of its profile the ASZ presents the greatest potential competition to all these organizations. Compared to other independent organizations, it is unbeatable in servicing the ruling parliamentary elite and it is indispensable as an information source insofar as changes in the economic macro and microspheres are concerned. These are matters far removed from the parliament. And in this field, the ASZ is the only organization capable of producing complete foundations for legislative action.

This would be fine, were it not for the fact that the ASZ was not meant to be a mere information base in the service of legislative drafting! The ASZ also functions as an important link in the chain of a national institutional network which is supposed to represent the economic and social counterweight vis-a-vis the parliament, the parliamentary committees and the political parties.

As we could see, not even the first ASZ law prevented the ASZ from becoming dependent on the authority of a legislative forum fueled by political ambition. A similar threat cannot be ruled with respect to the second ASZ law either. There continue to be no guarantees for preventing this apolitical, independent controller organization from falling captive to politics.

For a long time one had to be concerned "only" about the cabinet exerting a stronger influence on the independent "island world" of these highly professional national



institutions. This same threat now has another element. The institutions which function under parliamentary authority—in this case the ASZ—are also, or may also be exposed to the threat of being turned into secular organizations by specialized parliamentary committees which intend to jealously embrace them.

Establishment of the "Accounting Office Committee for the purpose of continuously evaluating the functioning and the activities of ASZ" is a highly important, novel feature of the second ASZ law. At last the ASZ will receive a boss with a clear profile, it will be removed from under the authority of the National Assembly Committee on the Budget, Taxation, and Finance which has specialized itself primarily in regard to other matters.

But among the functions of this new committee the kinds of authorities employers exercise are underscored, as for example commenting on the performance of the ASZ, approval of the ASZ budget and its financial report, nominating and holding to account the highest ranking leaders, etc. This takes place at a time when the truly substantive function of the committee: "to improve opportunities to utilize the information obtained by the ASZ," remains a mere good intention. Accordingly, the law goes against the grain and leaves untouched the responsibility of the specialized parliamentary committee in a field which constitutes the bottle neck in the intended mutual cooperative relationship between the parliament and the ASZ.

One cannot dispute the fact that the accountants of the ASZ have submitted piles of proposals and recommendations to parliament ever since the establishment of the ASZ. (These pertained to e.g., the state household, the state budget, state funds, privatization, subsidies, and property policy guidelines.) They delivered far more ammunition for the establishment of a legal basis of the transformation of the economy than what the legislature was able to digest. Their exploratory work gained such speed that the legislators were unable to keep up with it.

A significant part of the audits got lost as a result of legislative work lagging behind these explorations. (It was possible to inject) a good part of the proposals were injected into the legislative process only in part or not at all. The ASZ swayed (was able to sway) the overly politically oriented functioning of parliament in the direction of managing the crisis to a lesser extent than it should (could) have. Not to mention the fact that the ASZ did not succeed in its struggle to acquire the kind of legal authority which is indispensable from the standpoint of its own functioning.

Despite all this, the proposal contains relatively few traces of an endeavor which aim for synchronizing the ambitious functioning of the ASZ with the more modest practice of drawing conclusions from the work products of the ASZ. As if the legislators were intentionally unwilling to notice the discrepancy between the two. As if they were not willing to recognize the fact that in this vertical cooperative effort the ASZ is merely a one armed giant—dependent on the "other arm," dependent on the

perhaps continuously low efficiency utilization of the ASZ' workings by a partner ordained to reap the fruits of these workings.

### Key Legislator Explains Situation

91CH0785B Budapest FIGYELO in Hungarian  
11 Jul 91 p 9

[Article by Miklos Vekony, the head of the National Assembly Ad Hoc Committee on the State Accounting Office: "What Are We Talking About?"]

[Text] Last December parliament established an ad hoc committee to examine functional disturbances in the activities of the ASZ [State Accounting Office]. These disturbances exceeded problems one would expect to see during the "training" period, and went beyond the conflict between the ASZ law and the Constitution, and the authority and functions of that organization. In the end, this committee recommended the creation of a new law. Mr. Falubiro's article represents a rather peculiar reading of that law.

The author claims that the proposed law intends to limit the independence of the ASZ, and that the organization would be managed hands on by parliament. One would be hard put to find the passages in the legislative proposal reminiscent of the state party period. As introduced, the legislative proposal defines the ASZ as an independent organ which assists the parliament in its activities. In a manner different from present practice, the proposal also defines the ASZ as an organ which cannot be requested even by the cabinet to perform certain functions, and which is subject only to the Constitution and to laws. The ASZ chairman has authority to develop the organization itself as well as the internal controls of the organization, although it is true that he must pay attention to opinions to be expressed by the future parliamentary committee on the ASZ.

As compared to the new law, the 1989 law provided for a far greater degree of external direction, because it did not provide any protection against external requests involving individual cases. Even the organizational structure of the ASZ was subject to parliamentary approval. In the course of committee debate the ASZ's excessive independence raised some concern in certain representatives!

Quite naturally, we do not believe that the ASZ should function as a counter weight to parliament (?), to committees of parliament and to political parties! According to our concept, the institution would be a financial and economic control organ accountable for its activities to the National Assembly. Developing a new form of power sharing was not the intention of the framers of the law. Precisely for this reason, we do not feel that it would be fortunate if ASZ would (or could) sway the activities of parliament in any direction.

For the above reasons, the legislative proposal includes a provision which establishes a needed permanent committee to oversee the accounting office. This committee

would serve as a liaison between the parliament and the ASZ. Contrary to what the author says, this committee would not perform the functions of an authority, even though in addition to utilizing the reports submitted by the accountants, it would indeed evaluate the activities of the ASZ leaders and of the ASZ organization as a whole. If needed, the committee also could propose a change in leadership. Accordingly, this committee would remedy the complaints of the present leaders who claim that no one dealt with the substance of their activities. On the other hand, since the ASZ is responsible to the parliament after all, the committee would assist the ASZ in the performance of this responsibility. According to those who drafted the legislative proposal, sufficient experience has been accumulated on the basis of which changes can be made, and this is why they felt that a new definition of functions was necessary.

The condition referred to by the author as "minimum necessary regulation" helped in this regard, it is now part of the legislative proposal concerning the state household that was presented to the parliament. We were able to automatically streamline the two proposals because a representative of the Finance Ministry took part in committee debate all along.

The assertion that the ASZ has not been involved in drafting the legal provisions is untrue. Smaller or larger numbers of representatives of the ASZ continuously took part in the committee meetings, even though a different person appeared at virtually every meeting, often conveying different views. Finally, both the Budget Committee and the ad hoc committee on the ASZ discussed all amendments requested by the chairman of the ASZ.

The time for introducing this legislative proposal has arrived by now, because it appears to be necessary to ensure the normal functioning and the legitimacy of the organization also by way of the legislative proposal. Our intent is the direct opposite of what the author states. We want to restore the prestige of the ASZ. This, of course, would also require that the ASZ and its leaders to restrict their activities within the framework established for them by the National Assembly.

Mr. Falubiro's statements are based on erroneous information, or if this is not the case, the time has come to eliminate the problems which have been dragging on since the birth of the ASZ.

**Samsung Electronics To Expand, Reinvest Profits**  
*91CH0784A Budapest FIGYELO in Hungarian*  
11 Jul 91 p 5

[Unattributed article: "Samsung Plans"]

[Text] Hungarian Samsung Electronics Inc. will reinvest all of its last year's 117-million-forint profits into production. Plans call for a change in the assembly of television sets beginning in September. Instead of the four or five batteries [as published], all parts will be ordered separately from South Korea and will be assembled in Hungary into finished television sets. The

required technology has been acquired by 21 employees of the factory at the Samsung plant located in Suwon.

Samsung endeavors to find Hungarian subcontractors for as many parts as possible to replace South Korean products. All of this is in the planning stages, because as of now, they are not working with Hungarian subcontractors. The factory located in Jaszfenyszaru has a capacity of producing 100,000 television sets annually. As a result of a \$2-million investment a new production line will begin operating on 2 September, thus creating 30 to 40 workplaces.

**Japanese Investment in Biochemical Production**  
*91CH0784B Budapest FIGYELO in Hungarian*  
11 Jul 91 p 5

[Unattributed article: "Lysine Factory Dedicated"]

[Text] Agroferm Hungarian-Japanese Fermentation Industrial Corporation located in Bojar-Hollos between Kaba and Nadudvar began its operations. Vegyepszer [chemical plant construction] Inc. acted as the primary contractor in the \$50 million investment projects to build a biotechnology plant that will produce 5,000 tons of lysine annually. Lysine is a feed supplement indispensable to animals. Projections call for the sale of 1,500 tons of lysine in Hungary, while the rest of the manufactured volume will be exported. The Hungarian lysine works utilize state of the art biotechnology and know-how acquired from the Japanese Kyowa Hakko Kogyo Company Ltd. Sugar beet molasses, the most important base material for lysine, will be delivered from the Hajdusag Sugar Mill.

**Foreign Exchange Reserve Requirement Discussed**  
*91CH0784E Budapest FIGYELO in Hungarian*  
11 Jul 91 p 18

[Article including interview with Unicbank President Dr. Peter Felcsuti, by (w); place and date not given: "Foreign Exchange Credits—Pros and Cons of Mandatory Reserves"]

[Text] Commercial banks must henceforth accumulate forint reserves even after foreign exchange resources they hold, according to a Hungarian National Bank [MNB] order. The following is a summary of the administration decree that went into effect on 1 July.

Beginning on 1 July 1991 reserve funds must be accumulated after all foreign exchange resources. Exceptions are: interstate loan funds, or loans granted by government agencies to persons, interbank foreign exchange deposits, and foreign exchange resources provided by the MNB, i.e. export prefinancing.

**Pro**

In the spirit of uniform monetary regulation the MNB initiated action to require that forint reserves must be accumulated even after foreign exchange resources. In doing so, the central bank intends to express the fact that foreign exchange and forint resources are inseparable

and that Hungarian and foreign moneys must be regarded as equal in the course of managing solvency. (The mandatory reserve requirement with respect to foreign exchange is an element of the central bank's restrictive monetary policy, of course.—Editor)

The forint amount of the mandatory reserves must be calculated by the banks based on the medium foreign exchange rate in force on the previous workday, as announced by the MNB.

The MNB pays a higher interest on reserves accumulated after foreign exchange resources than after reserves accumulated after forint deposits; the current rate is 30 percent. (Thus, the MNB treatment of income earned on reserves accumulated after foreign exchange is preferential as compared to the same after forint resources, because the MNB does not want to render the acquisition of foreign exchange by banks more expensive. This enables the banks not to increase the interest paid after foreign exchange deposits, and thus such deposits will not "escape" from Hungarian financial institutions.)

#### Con

Unicbank has been involved in various foreign exchange transactions ever since its establishment five years ago. Various foreign currencies weigh heavily among the bank's assets and resources.

We asked Unicbank President Dr. Peter Felcsuti how the restriction imposed a few days ago affects the activities of the bank.

[Felcsuti] I do not argue with the central bank about the fact that foreign exchange transactions constitute a part of domestic solvency just as forint transactions do, and that therefore this must not be disregarded in the framework of the MNB's anti-inflationary policies. On the other hand, one should not mechanically apply the same means and methods to monies and resources having different economic contents. And this is where I differ with the central bank. In my view, foreign exchange transactions should fundamentally be made part of monetary regulation on the basis of exchange rates and interest rates, and not as a result of inflexible reserve requirements having a retroactive effect.

One should also recognize the fact that in this respect the central bank's interests exert their effect in the opposite direction. The MNB wants to tighten the domestic money supply, while its declared intent calls for commercial banks to broaden as forcefully as possible their activities involving foreign exchange, to help reduce the pressure on the MNB to acquire resources. The new reserve measure clearly conflicts with this intent.

[(w)] What are the functions of commercial banks with respect to managing the indebtedness? Isn't it true that they mutually compete with each other in the international money market?

[Felcsuti] We must be very precise here. We must state that commercial banks play no role in debt management—that is the business of the central bank. The MNB

utilizes of course the foreign exchange resources which enter the country as a result of these commercial banking activities, just as they use the individual foreign exchange deposits, foreign investment funds, etc. The central bank is seriously interested in maximizing the extent to which it is able to use such resources in "turning over" foreign debts, particularly under tense market conditions.

One must also recognize that in the final analysis the interest rate paid by the central bank when it borrows money abroad also serves as a guide to commercial banks in Hungary. The difference is that commercial banks must, by necessity, be more sensitive to costs than the central bank, and this is another reason why I must mention again the new regulations requiring reserves as a result of which banking costs will increase.

#### IBUSZ Attracts Large Institutional Investors

91CH0784F Budapest FIGYELO in Hungarian  
11 Jul 91 p 5

[Article by (Sebok): "Foreign Tourism, Procurement, Travel, and Transportation, Inc., Action To Raise Capital Not Illegal"]

[Text] The 500-million-forint capital stock increase authorized at the general meeting of IBUSZ [Foreign Tourism, Procurement, Travel, and Transportation, Inc.] on 25 June 1991 has been successfully completed; the entire new stock issue has been subscribed to on 2 July by foreign institutional large investors in Budapest—with the help of Rothschild and Sons Limited. A total of 120,500 shares of the 1,000 forint nominal value registered stock were sold for 680 Austrian Schillings each (4,150 forints at the medium exchange rate recorded on 2 July). Thus, IBUSZ' capital stock increased from 1.2 billion forints to 1.32 billion forints. IBUSZ will use the forint amount that corresponds to 81.94 million Schillings to fund the 2-billion-forint capital stock needed to establish the IBUSZ Bank.

The feeling of satisfaction over the successful stock issue barely registered in the minds of IBUSZ officials when charges were made to the effect that the increase in capital stock accomplished as a result of a closed stock issue was illegal. Well, the charge was false, but the full truth is somewhat more complicated.

Documents discussing IBUSZ' intent to raise its capital stock do not mention a closed stock issue at all, instead they state that "the new stock issue is not regarded as a public stock issue pursuant to the securities law." At the same time, the general meeting agreed to sell the stock in the order in which subscriptions were received and that oversubscriptions would not be accepted. Thus, there was nothing irregular about the fact that the institutional large investors—the targeted buyers—were first to subscribe to the new stock issue. In this instance, IBUSZ endeavored to acquire new owners interested in long term, large amount investments, instead of attracting many small investors.

What then could have raised questions about the legality of this stock issue? The answer: the lack of concise rules. The Law on Corporations does not expressly authorize closed stock issues relative to endeavors to increase the capital stock. It states, however, that rules applicable to the founding of a stock corporation, pursuant to the same law must be appropriately applied when stock is subscribed to for purposes of increasing the capital stock.

On the other hand, subscription to stock is conditioned by the registration of a corporation—in no event could one subscribe to stock before a corporation is registered. In other words, IBUSZ could not have issued the stock approved by the general meeting without the consent of the Court of Registry. This solution then produced something that was not truly a public issue of stock, but it was not a classic case of a closed stock issue either, even though by observing the principle of first come first serve, and by ruling out the possibility of oversubscribing, IBUSZ heavily restricted its potential clientele.

This method of raising capital stock was based on a highly acceptable economic rationale chosen by the IBUSZ board of directors and the general meeting. There are periods of time in the lives of all companies when they require special strategic large investors in order to accomplish further development. Accordingly, acting on the basis of this economic rationale should be expressly authorized by law. For this reason, proposed amendments to the Corporate Law expressly authorize the raising of capital stock on the basis of closed stock issues, provided that the closed character of the stock issue would only be applied to already existing stockholders. On the other hand, this limitation would constitute a barrier soon to be broken down by economic reality. It does not enable private placement which functions so well in Western practice. It will suffice to recall the case

of the [Hungarian airline] MALEV in which the privatization concept is based on efforts made by the State Property Agency to attract a certain group of strategic partners into the stock corporation fully owned by the state. The proposed amendments to the law would not permit this method of raising capital.

#### **French Banking, Real Estate Interests Expand**

*91CH0784G Budapest FIGYELO in Hungarian  
11 Jul 91 p 5*

[Unattributed article: "The National Association of Industrial Cooperatives-Paribas Agreement"]

[Text] The National Association of Industrial Cooperatives and Hungarian Paribas, Inc., have reached an agreement to cooperate as an investment, service provider, and consulting bank. The purpose of cooperation is to foster international cooperation, cooperative manufacturing, the establishment of joint ventures and the development of other long-term business relations.

Hungarian Paribas, Inc., is owned by the Paris based French banking network called Bank Paribas and by the French real estate and construction firm LSGI. Sixty percent of the 30-million-forint capital stock has been contributed by the bank, while 40 percent originated from LSGI. The network has members in 50 countries, they are involved in the direction of money market activities and investment both within and outside of Europe. The total balance of the bank amounted to \$138 billion last year.

Hungarian Paribas has been operating for six months; its sales revenues amounted to 18 million forints during the fraction of the year 1990. Its profile includes market and enterprise studies, appraisals for investment purposes, and privatization consulting.

**Issues on Border Treaty With Germany Discussed**  
*91EP0601A Warsaw PRZEGLAD TYGODNIOWY*  
*in Polish No 28, 14 Jul 91 p 13*

[Interview with Jerzy Sulek, director of the European Department in the Ministry of Foreign Affairs and one of the negotiators in the talks on the border treaty with Germany, by Marek Cichocki; place and date not given: "Direction: Berlin"]

[Text] [Cichocki] There have been headlines in the Polish press that the recently signed treaties with Germany finally solve the Polish-German problem. I remember that similar headlines appeared in Polish newspapers at the end of 1970, when a treaty was signed between PRL [Polish People's Republic] and FRG [West Germany]. Should we look forward to having the arguments between Poland and Germany again finally solved in 20 years?

[Sulek] After the signing of the treaty between PRL and FRG on 7 December 1970, we thought, and this was the official position of the Polish side, that we had the final recognition by FRG of the western border of our country, that the old problem which had strained the Polish-German relations had disappeared. Considering earlier agreements in Potsdam in 1945 and the Zgorzelec agreement with GDR [East Germany] in 1950, the whole Polish-German problem was finally solved. It turned out later that the German side applied a legal-political interpretation according to which all treaties, including the 1970 one, were temporary solutions until the final determination of the German borders at a peace conference with the participation of a united Germany.

[Cichocki] We have a united Germany but we have not had, until now, a peace conference.

[Sulek] There has been no peace conference with Germany and most probably there will never be one. In a treaty signed in Moscow on 12 September 1990 between the four super powers and the two German states, at that time FRG and GDR, Chapter 1 says that the borders of a united Germany will be the same as the present borders of the two German states; their shape is final and cannot be changed. The Polish press did not write that even earlier, on 7 July 1990, within the Two-Plus-Four Paris negotiations. Internal and unpublished minutes were signed which stated that Minister Genscher made a statement that Germany would never demand a peace conference and the outcome of the Two-Plus-Four negotiations was final and binding to the united Germany.

[Cichocki] There is at least one party in Germany, CSU [Christian Social Union], which does not agree with Genscher's statement.

[Sulek] CSU criticizes Genscher not so much for the borders as for the settlement of the German minority problem in Poland. It does not come from the whole party but from some of its politicians.

[Cichocki] CSU, however, does not disclaim the statements of its politicians. It is also a known fact that the

German side systematically avoids using the phrase "recognition of the border" in any agreements with Poland. It prefers to use the term "confirmation of the border." It does not seem to be just a linguistic difference....

[Sulek] It is true that neither the 1970 treaty, nor the 14 November 1990 treaty, contains the word "recognition." It does not matter greatly, though. Agreements between the four powers and the Germans themselves, together with the 14 November 1990 treaty, create a new political and legal situation, which is clear and unequivocal, even for politicians with revisionist tendencies.

[Cichocki] We have been optimistic until now. Let us consider, however, the worst possible scenario for us: a party which does not want to continue the present policy towards Poland comes to power. It declares that there has been no peace conference to settle the border problem, therefore all the treaties with Poland are annulled, and on top of this the German side has never spoken of a recognition of the Polish border. This is quite possible.

[Sulek] I doubt it personally. Theoretically it was possible until the signing of the 14 November 1990 treaty and the above-mentioned Two-Plus-Four decisions. At present there is no such possibility formally. The negative scenario, however, that you just mentioned is exactly what has been the basis of the West German territorial revisionism.

[Cichocki] Some activists of the repatriation organizations maintain something quite contrary; namely, that it is the Polish side that practices revisionism.

[Sulek] Repatriation politicians try to turn the problem upside down sometimes, but I treat their actions in terms of political museum pieces. This type of thinking occupies a margin of political life and belongs to the past.

[Cichocki] Is the signing of the border treaty with Germany and the good neighbors treaty an outcome of changes that took place in Polish foreign policy?

[Sulek] Very much so. The change which took place in Polish-German relations could be sensed already in the summer of 1989. Solidarity's coming to power influenced greatly our foreign policy toward Germany. It became strategically geared toward cooperation, agreements, and understanding. Its main architect is Minister Skubiszewski. In general, cooperation with Germany is growing well, and this is a result of the change in policy toward Germany that occurred in the new democratic Poland. The good neighbors treaty gives a formal legal basis for the future Polish-German cooperation, something that never existed before. Thanks to the treaty it is possible to develop youth exchange programs, regional cooperation, ecological aid, development of border crossings....

[Cichocki] ...which are blocked by desperate truck drivers.

[Sulek] Yes, but as a result of what?

[Cichocki] The Germans say it is because of the incompetence of Polish border officers.

[Sulek] First of all, it is because of the inadequacies of the past. During the Kohl-Mazowiecki talks in November last year a model project was created to build 10 km of a six-lane highway from Frankfurt to Swiecko. There will be several new border crossings, and a few will be modernized. Big money is being spent on this right now on both sides. Naturally, it will take a few years. We could find many other such examples. So, you see, we are not moving only within a sphere of treaties and agreements, but very concrete decisions are being made which will serve the people. Otherwise, politics would lose meaning, it would become art for art's sake. We have also acquired the support of western Germany in our efforts to enter the European Community, first as associates and later as full members. Germany is the biggest country in the European Community, and without its support Poland would not have a chance to become a member. There exists, however, a very serious problem of lack of trust between Poles and Germans, which of course is not eased by the recent events in the former East Germany, I mean, the neofascist attacks.

[Cichocki] Not only Germans are responsible for the lack of trust, I suppose. A small example: On the day of President Weizsaecker's arrival, Polish television showed a film about Wrzesnia.

[Sulek] You know, this example...it may be good that you mention it. I catch myself sometimes, too, in that we want to think in new categories but we still think in old ones. The Polish Government has no say in what is shown on TV or what is written in papers. There is, of course, the informational policy of the government, but the mass media have complete freedom of expression, maybe even greater than in Germany.

[Cichocki] Coming back to the treaties, did negotiations include discussions about the removal of Soviet troops from the former East Germany and their transit through Poland?

[Sulek] There is a certain iron rule that one does not negotiate matters that refer to a third country. During negotiations with Germany the problem of Soviet troops withdrawal from Poland and their transit through Poland were not mentioned.

[Cichocki] There are iron rules and there are pressures. The Polish side tried, after all, to combine these two issues: the withdrawal of Soviet troops from Poland and the transit. In this way won't we cause a conflict of two state interests, Polish and German?

[Sulek] There is no conflict of interests here. We are in the same boat with the Germans. Both Poles and Germans want the Soviet troops to leave both countries as soon as possible. And if you talk about pressures, what would you do in the following situation: Agreements are made between Germany and the Soviet Union regarding the withdrawal of troops and their transit through Poland, and at no point is the Polish partner included in

consultations. This was a classical example of bad traditions, when two countries—Russia and Germany—would come to an agreement above our heads and to our harm. Naturally, in cases like this Poland brings up its own national interest. We will not allow trucks and cars without registration cards and full of armed soldiers to pass through our country as if they were an occupying force.

[Cichocki] After the signing of the treaty in December 1970, the Bundestag passed a special resolution to note all its reservations. Now, after signing the new treaties, the story is repeated. They are also to be accompanied by a resolution that is already called a record of differences.

[Sulek] The 1970 resolution heavily strained Polish-German relations. However, both this document as well as the one to be passed have a certain political significance in Germany only. They do not count in international law and in relations between Germany and Poland; only the signed treaties count.

[Cichocki] If the resolution is passed there, will be a mention of a possibility of Germans settling in Poland be made? Don't you think this will have a bearing on Polish-German relations?

[Sulek] It is a controversial issue in Poland. I see it slightly differently, contrary to most opinions. The wording is such that as Poland increases its participation in the European Community, possibilities for Germans to settle in Poland will increase. This means there are no such possibilities now, but they will exist after Poland joins the European Community. If we want to be a full partner in Europe, we have to accept also that which does not fully suit us. Public opinion has to understand that joining the European Community brings not only advantages but also duties. Among them is the freedom of movement for people, capital, and goods and services. If we grant the right to settle in Poland to the French, Belgians, or Italians, we cannot refuse it to Germans. Conversely, Poles will have the same possibilities to settle in Germany and in other countries of the European Community. The issue has to be seen in the wide European context and not from a narrow point of view of Polish-German relations.

### **Recent Poll Reveals Apathetic Electorate**

91EP0640A Warsaw *RZECZPOSPOLITA* in Polish  
22 Jul 91 pp 1, 2

[Article by Jaroslaw Najdowski: "Elections Without Voters"]

[Text] A 12-14 July preelection CBOS [Public Opinion Survey Center] poll based on a 1,000-person representative sample of the adult population of Poland is the first to be taken following the passage of the new electoral law. Before it took place we witnessed sharp disputes about the final shape of the electoral law. During that time also the Polish Peasant Party experienced a schism, which resulted in the formation of a new party by Roman Bartoszcze, the Polish Peasant Christian Forum "Ojcowizna" [Our Fathers' Legacy]. While the study was

under way the alliance of peasant parties broke apart. On the other hand, the Center Accord party worked, together with Citizens' Committees, to create a new electoral coalition.

Most of the political conflicts of last month took place in a far from civilized atmosphere. This has of a certainty affected the results of the poll.

Above all, the percentage of those interested in the elections dropped to just more than 45 percent. The predicted voter turnout will be at the level of 37 percent (compared with the 50 percent anticipated as recently as last April). This must be interpreted as a serious warning, even if the figures are considered somewhat underestimated because the poll was taken during the vacation season when somewhat fewer active—and therefore more frequently voting—respondents were available.

The disputes about the electoral law benefited no party. The Democratic Union recorded a 5-percent decline in its base of support, while still leading the preelection marathon. As for the electorate of Center Accord, its size has remained practically the same. Just about the only beneficiaries of the disputes were the postcommunist forces: the OPZZ [National Trade Union Alliance], the SdRP [Social Democrats of the Republic of Poland], and the X Party. To be sure, the SdRP was involved in the disputes, but its representatives were not as active in propagandizing their point of view as the members of the Democratic Union and Center Accord.

Major changes on the political scene were caused by the breakup of the Polish Peasant Party and the peasant coalition. As a result, the Polish Peasant Party lost its standing as the strongest peasant party and joined the smaller, less important parties. This may be, of course, just temporary, particularly if W. Pawlak succeeds in impressing on the broader public the image of a fit successor of R. Bartoszcze. For the present, however, R. Bartoszcze's new party can reckon on somewhat greater support than the Polish Peasant Party. In the balance, both these parties together have gained fewer votes than the Polish Peasant Party alone in a previous poll. Thus, Private Farmers' Solidarity now remains the only significant political force in the countryside. Compared with a previous poll, it has doubled its influence.

The results of not just this but also previous polls demonstrate that the parties benefiting most are those which propagandawise remain disengaged from the most vociferous political disputes or take a compromise position on these disputes. This happened with the Democratic Union last May (the dispute about the antiabortion law) and Solidarity in June (the effective negotiations with the government without excessive hullabaloo), and this is now happening with the OPZZ, the SdRP, Party X, and Private Farmers' Solidarity. It may be that moderation and compromise are the shortest road to electoral success. It may be that this also is a way of augmenting voter turnout. Any further decline in the voter turnout would practically threaten making a laughing stock of democracy in Poland.

### PSL Congress Unites Peasants, Outlines Program

91EP0582B Warsaw *POLITYKA* in Polish No 27,  
6 Jul 91 p 4

[Article by Jagienka Wilczak: "Head First"]

[Text] A bloody fist fight almost broke out at the PSL [Polish Peasant Party] Congress. Deputy J. Wanian, desperate because he never reached the rostrum, tried to give journalists documents compromising to R. Jagielinski. "You had better not provoke us to show your pictures from the Deputies House," his opponents tried to stop him. "You may, I am not afraid," he replied. Finally, tensions were so high that a fist fight was about to break out, when suddenly someone shouted: "You can't hit a deputy." Delegates withdrew with obvious reluctance.

Contrary to declarations and expectations, Roman Bartoszcze did not remove his group from the PSL Congress last Sunday. He did not create a new party—of "people with clean hands and biographies." The chairman, contrary to his promises, did not appear at the congress.

### The Color of Clover

He only sent a letter, but it did not reach either the hearts or the minds; it brought laughter instead. His absence was not well received by farmers; they felt ignored. They commented that in politics one has to know how to lose. If the chairman appeared before the assembly, explained what went wrong and why, looked them in the eyes, they would be moved, they would applaud, and they would give him a bunch of roses. He had and still has many sympathizers in the party. Even though his behavior irritated them, and even though they disliked his being seduced by the Belvedere camp and forgetting his peasant roots, they remember that his name gave trust to their party, which gladly used his virtues. Today, when PSL is the strongest party (130,000 members have paid their dues; there are centers in every gmina), integrity and unity is placed above virtue. Even friends who stress that they go hand in hand with Roman, immediately add: "But we will stay at the congress, we are not leaving." Only Deputy S. Majdanski left the congress hall. He said: "I do not want my green clover leaf to turn pink." S. Jekielek also handed in his resignation, as a close associate of Bartoszcze. Others, even though they were ready to leave and their fists were ready to hit, as one delegate from the Tarnow voivodship, they stayed until the bitter end.

"How many could Bartoszcze take with him?" people asked behind the scenes. They did not think there would be more than 30.

Looking at the delegates it would be hard to say if the "nomenklatura" was there. Here and there one could recognize some old faces, but they were not faces of agricultural circles chairmen—they were those of professors who are O.K. in any circumstances. One former permanent employee of ZSL [United Peasant Party], today "president of a cooperative," complained that



previously he would be able to recognize everybody, and now all these faces mean nothing to him.

Calling for the congress was not in ideal agreement with the statutes, something that was finally confirmed by the authority of Rev. B. Bijak, pastor of farmers, but the congress was held anyway. In politics only "accomplished facts" count. Grass roots delegates represented options clearly in opposition to the chairman. It may be assumed they represented predominant attitudes in the countryside: Farmers want a strong and independent party. "They wanted to divide us from within in order to build one correct political line dictated by the Belvedere. We do not support this line," said a Gdansk delegate. "The remains of PSL were to become a concessional party," he added. A representative from Bielsko-Biala warned: "Even for the price of losing the elections we must not come to terms with the Belvedere camp. The time of living on our knees is gone."

Keeping unity was not possible. While the congress held its debate at Krakowskie Przedmiescie, R. Bartoszcze and H. Chorazyna talked with the press at the Labor Party offices. They announced the creation of a Christian peasant party. The news, carried to the hall of the Auditorium Maximum, angered the congress delegates. Suspicions of collaboration with the PC [Center Accord] were confirmed the next day when Bartoszcze held a press conference called by J. Kaczynski.

#### Sentiments Into a Waste Basket

Which side most of the peasant party members and sympathizers are on was faultlessly estimated by G. Janowski and J. Slisz, members of the famous elections "tri-alliance" that stirred so much commotion in the party. Both gentlemen, absent a week ago, appeared right on time this time. Obviously, not sentiments, but cool calculation was their motive. Slisz knows that in the elections the couch-PSL-Solidarity and he himself have no chance in an alliance with an unknown new party of Bartoszcze (if such a party is created). If it wants to get to the parliament it has to gain the support of the PSL electorate. G. Janowski knows this as well. He has said, after all, that he does not mind a fusion of both organizations (membership is practically the same) and taking over the helm. Asked about an alliance with Bartoszcze, he replied he was of a small stature and did not sway right and left. This meant that the election alliance was made with PSL as a party and not with its leader, and was a sarcasm toward Slisz. The senator, former associate of Bartoszcze, close to the Belvedere, found himself suddenly on the opposite side.

The Catholic Church also supported the congress (even though the primate received R. Bartoszcze before it). Rev. Bijak called the last events in PSL not "cleansing of the ranks" but "an infamous and destructive fight, not for ideals, but ambitions, in a competition for power." The church is trying to keep unity in the peasant movement at any price. To this end a mass was celebrated: It was hoped that participants prayed in earnest.

A year ago Rev. Bijak tried to persuade R. Bartoszcze to unite both parties, PSL "Wilanow" and PSL "Odrodzenie" [Rebirth], and now he stands on the side of those that the chairman accuses of leftism and calls post-Communists.

The assumption was that the congress will form a program to orient the party before the elections, or perhaps the voters. The congress was to create a strong peasant party with a political, social, and economic program, and a unified stand toward the government's policies, a party critical toward Balcerowicz. It was intended to be a party for rural voters because it would guarantee carrying out of their demands and aspirations, and protect their economic interests. It should be a party also for urban voters. The election program reads: "Building Poland to be based on expensive food, unaffordable by poorer people, may be catastrophic. In dynamic economies, where the farmer is the most important client of the industry, farm investments are a boost to the economy. There are no modern and prosperous societies based on primitive agriculture."

In reality program discussion did not dominate in the debate. Personnel matters took the upper hand. It was, in fact, expected. (Some said the congress was a turning point for the party.) The congress had to decide who was really in power. "We did not come here at our own expense to go away with nothing again," delegates protested, reluctant to deal with the program.

There was an attempt to solve personnel problems on the day before. Chairmen of voivodship units and deputies deliberated and came to an agreement that night: The recommendations committee would propose a vote of confidence to chairman Bartoszcze, and chairman Jagielinski would remain at the disposal of the congress. Part of voivodships, especially those from the south, demanded that both leaders leave and new ones be elected: Only this could ensure peace and consensus. For the time being, if Jagielinski did not agree, they threatened with the creation of a PSL faction "Piast." The parliamentary club wanted a double leadership: Zych and Luczak.

#### No Manipulations, My Friends

Statements during the first hour of the congress persuaded the committee to propose a vote of confidence to both leaders: Delegates accused Jagielinski of not being able to find solutions to internal party problems while presiding over the chief council. The proposal was opposed, however, on the basis that the vote would take place without a wide discussion of his faults. Attorney E. Kaleta from Cracow protested: "A committee appointed previously cannot create on the spot this type of appraisal." He threatened to leave the debate. Finally, several persons took the stand criticizing the attitudes of the leader.

At the same time, at Krakowskie Przedmiescie, leaflets were dropped with slogans: Jagielinski—Soviet servant; Bartoszcze calls for unity.



In this situation many delegates decided the debate was pointless.

The results of the voting were overwhelming: Jagielinski got 320 votes against 520 of those voting, and Bartoszcze 32.

I learned from well-informed sources that R. Jagielinski, impressed by the voting results, made a shocking gesture: He refused to resign. A recess was announced, and an attempt to dissuade him was made behind closed doors. (In fact there was nothing shocking in his behavior. He announced his readiness to resign many times before, which he withdrew later.) All in all, he did resign eventually: "For the good of the party," he said in a weak voice. "So that we will not be accused of turning Marxist-Leninist." He had a great applause. Behind the scenes it was commented that this way he was collecting credits for the future. He showed good political judgement. He played it well: He left for the sake of the party while still having the support of a majority. It makes a good impression.

At this moment speculation started as to how to divide the posts: Who would be the chairman, Bentkowski or Zych? Would the presidency over the council go to A. Luczak or W. Obernikowicz? In well-informed groups the name of Deputy W. Pawlak was also mentioned (GAZETA KONGRESOWA had a long interview with him) and he, as it turned out, played the role of the "black horse."

The name would determine the future line of the party: Bentkowski was supported by Galicia and Silesia; Overnikowicz would guarantee a modern chairmanship, but he was too rich, which made enemies. Zych was able to compromise, and proved himself as the chief of the parliamentary club. Pawlak was said to have leftist tendencies. Perhaps the assembly would propose Jagielinski?

The Council of Elders: The parliamentary club and regional chairmen, in association with the elections committee, divided the roles: Bentkowski, Overnikowicz, and Pawlak became candidates for chairman, Zych and Luczak became candidates for president of the chief council. It can be said that the candidatures did not surprise anybody. The peasant movement still suffers from a lack of leaders—"castling" is done in a "family circle": NKW [Chief Executive Committee], RN [Chief Council], deputies club.

The best pairing was deliberated next: Bentkowski and Zych, two attorneys, might clash, and the congress would not solve anything; the situation might repeat itself. (Vice Chairman Bentkowski was displeased with what I had written about him. I promise, I really like Bentkowski, but I am not responsible for what his party colleagues say about him.) The pair of Luczak and Obernikowicz was said to pull each his own way. As to Zych and Pawlak, there was fear that the first, older and the club chief, would dominate the other, whom he already refers to as "my disciple."

The contest between Zych and Luczak was finished in the first round of voting, but it was believed the post of council president would be determined after the second round.

I asked delegate K. Olesiak if he manipulated a lot. He replied that he started growing strawberries (the late variety). Behind the scenes it was said that part of the post-Solidarity camp (associated with UD [Democratic Union]) flirts with PSL, especially with its left wing of ZSL [United Peasant Party, or PSL] descent (why is GAZETA WYBORCZA so good to Jagielinski?), also keeping an election alliance in mind.

### Neither Communists, nor Liberals

Shortly before midnight the puzzle was solved, and even in the first round. The chairman of PSL was elected and it was Waldemar Pawlak; Jozef Zych was elected the president of RN [Chief Council]. Zych would repeat what he had done once before—he was already president during the time of Olesiak and PSL—"O" [Polish Peasant Party—"Rebirth"]. Pawlak is a 32-year-old mechanical engineer living at the village Kamionka in the Plock voivodship. His decisive winning guarantees a lowering of the age average in the leadership of the party. Friends call him "computer." He is determined and decisive. Isn't he afraid of being accused of postcommunism?—both he and Zych were members of ZSL. "Accusations may be multiplied endlessly, but this is a dead-end road," he replied. Isn't it more important that he was in a coalition which created the first noncommunist government?

One could contemplate the reasons why Pawlak won. He certainly was not a "nomenklatura" candidate. Did his age decide (youth guarantees introduction of fresh blood), or the fact that he did not participate in the quarrels within the PSL?

The new chairman made a good impression. Supporters of A. Bentkowski would add at this point: as long as he does not do too much of it.

What conclusions can one draw from the debate in congress? It certainly shows that PSL wants to be a party of the center: It rejects everything extreme on the left and the right. It also wants to be Solidarity-proof: It is said that Solidarity is no longer an admired banner in the countryside. On 4 June the countryside said "Enough!" to the old system, but today it is shouting: "This is not what we meant." There is fear that everything with the "S" sign will be crossed [chosen] at the polls, the same way it was done before with the reds. Farmers do not want to hang at the door of the Belvedere either, and they are against being dependent on the church hierarchy (the congress wanted laicization of the state). They do not want either communists or liberals: They want social justice and the domination of labor over capital. They want the "third road," which adheres to church social ideas. As usual there were few concrete proposals in economic matters, other than the usual complaining on the bad situation and demands for guaranteed minimum

prices. The alternative PSL program has the advantage of not having been tested in practice.

The congress was really a turning point: If the personal games do not dominate the thinking of the future, PSL has a chance to really show off in the elections before all those who, afraid of a strong party, made attempts at breaking it up, or incorporating it into their own sphere of influence.

P.S. The next day R. Bartoszcze called the congress a "communists' sabbath."

### Chairman on Election Goals, Tactics

91EP0584A Warsaw RZECZPOSPOLITA in Polish  
3 Jul 91 pp 1, 2

[Interview with Waldemar Pawlak, Polish Peasant Party chief executive committee chairman, by Ewa K. Czackowska: "Farewell to the Past"]

[Text] [Czackowska] You probably have a difficult role as the successor of Roman Bartoszcze. What do you consider to be your most urgent tasks at the moment?

[Pawlak] The most important internal organizational issue is to soothe tempers and involve all members and sympathizers in working for the good of the PSL and of Poland. In general state matters, action to get away from a philosophy of destroying in favor of a philosophy of creating seems very important to me. Today let us try to look to the future. From history and tradition we must gather strength and wisdom, along with the discretion to avoid mistakes. We cannot live in the past, with its recollections and mutual accusations. We must respect one another. Then we will be respected. There is enough work for all of us.

[Czackowska] You do foresee any personnel changes? I am thinking mainly about the Chief Executive Committee.

[Pawlak] The changes will largely have to do with working style. It is a question here of synthesizing the views and opinion to develop a position that brings the various groups together.

[Czackowska] Can this be done with the same people who have come to be as such odds after several months of dissension?

[Pawlak] I think that the organization's greatest tragedy is the fact that it engaged in palace games of various sorts, rather than taking up the basic issues.

[Czackowska] But when you say: "We must forget," are you not afraid that the organization will be labeled "post-communist," following the departure of Roman Bartoszcze, who, as its head, had somehow to make the PSL [Polish Peasant Party] authentic?

[Pawlak] Authenticity is won through work, not through symbols. Many organizations became deeply convinced of this. It is not enough to announce fine, attractive programs. There must also be the skill to carry them out. It therefore seems to me to be entirely unjustified to

attach certain adjectives to individuals. It is sufficient merely to observe the political scene and to watch the tragedy of the Solidarity camp, for example.

[Czackowska] What is your estimate? How many people have left the party with Roman Bartoszcze? Could you call what happened at the congress a faction?

[Pawlak] As I recall, the congress was made up of three mandates from the 500 delegates from all the voivodships. I think that the congress definitively brought to a close the era of factions of all sorts. At the moment, there is room for everyone in the PSL. It seems to me that democracy consists of making decisions on the basis of the will of the majority, but we must also respect the will of the minority, especially if it is backed by sound arguments.

[Czackowska] PSL calls itself a centrist party. How then do you explain this clearly leftist statement in the "Ideological Declaration" adopted at the congress: "The ideology of the Polish Peasant Party recognizes certain features of social democratic doctrine and democratic socialism"?

[Pawlak] If one examines far more important documents in the same way, such as the recent encyclical of John Paul II, then the pope is a social democrat too. The PSL considers a basic principle to be the dominance of work over capital, with the human being as the supreme value. We cannot declare anything different from what the electorate expects of us. On the other hand, public opinion research shows that we are considered to be a centrist party with certain features of the left.

[Czackowska] What will the PSL have to offer the rural and small-town electorate in the parliamentary elections?

[Pawlak] It is difficult to summarize the entire program in a few sentences. The philosophy of creating is its key idea. We cannot permit the destruction of everything only to rebuild it afterwards. We must strive to transform our world one step at a time, because that is the way the European powers were created. We must emphasize the tremendous burden these communities are bearing because of the costs of the present changes. In countries which have the systems we are working towards, a production drop of 30 percent would be considered an economic catastrophe. People in our country are talking about the necessity of giving things up. If the enormous ranks of people give up some sort of standard of living today, they have to be able to see that the situation they will be in tomorrow will be a better one. Meanwhile, the official talk is that the renouncement of the majority is for the purpose of creating a well situated minority. In our program we will emphasize that town and country have a common interest, because we see peasants standing in line in front of the wholesale purchase centers, on the other hand, and people in the towns looking at displays of food that they sometimes cannot afford to buy, on the other hand.

[Czaczkowska] Will the PSL go to the elections in alliance with Solidarity and the Solidarity PSL along the same principles as before, or will you try to negotiate conditions for a consensus, as was stated prior to the congress?

[Pawlak] The PSL Congress was unanimous in approving a coalition and in ratifying the "Declaration on Unity of Action." It is up to the leadership to carry out the will and resolution of the statutory authorities. We think that both the rural areas and Poland need this coalition, because the political scene is terribly fragmented in Poland and suffers from inflexible methods of conducting policy. The rural groups here provide an example of how people can reach consensus over joint goals and values, without necessarily always agreeing on everything. The voivodship organizations will ultimately determine the shape of the coalition, depending on the situation in a given area. The other voivodships' decisions will not influence the shape of the coalition as a whole.

[in box] Waldemar Pawlak, 32 years old, is a graduate of the Warsaw Institute of Technology. He runs a 17-hectare farm in the village of Kamionka, Plock Voivodship, along with his wife and parents. He joined ZSL in 1985. He has three children.

#### **Investigation of Interior Ministry Profiled**

91EP0586A Warsaw POLSKA ZBROJNA in Polish  
21-23 Jun 91 p 3

[Interview with Deputy Jan Maria Rokita, chairman of the Sejm Extraordinary Commission for Examination of the Ministry of Internal Affairs, by Robert Kowal; place and date not given: "We Are at the Finish"]

[Text] [Kowal] The Sejm Extraordinary Commission for the Examination of the Ministry of Internal Affairs, under Kiszczak, was appointed by the Sejm at the beginning of the current term, not quite two years ago. Remind us, what tasks were placed before the commission at that time? Was this to be the judgment of the victors over the vanquished?

[Rokita] The task, in conformity with the Sejm's decision to appoint the commission, was clearly and precisely stated at the commission's first session. Our group was entrusted with the investigation of the list of approximately 100 cases of mysterious deaths which had led the public to suspect that officers of the old MSW [Ministry of Internal Affairs] could have been the perpetrators or accomplices.

We also had to formulate opinions as to whether the inquiries that had previously been initiated into some of these matters were conducted properly and whether other crimes had been committed in the course of the inquiries. Consequently, our task was not to establish the range of the old power apparatus's responsibility for all the crimes ever committed in Poland. Please note also that parliament did not provide us with investigative powers.

In the course of the commission's activities, the list was widened by scores of other cases, and as a result it embraced about 200 incidents of mysterious deaths or murders.

[Kowal] You will forgive this question, but what right did you have to fulfill the function of chairman of this commission?

[Rokita] Exactly the same as the chairman of any other commission—the mandate of the Sejm and selection by its members. I agreed to fulfill this function after some hesitation. I realize that for a person beginning his political activity this is very thankless work. From the beginning, I was aware that I was going into matters that in the majority of cases are essentially undecidable, in which it will be extremely difficult—considering the obliteration of clues by the perpetrators and later by those conducting inquiries into these matters—to make an evidentiary determination.

I also saw that in this work I would be able to count on only a group of persons that is limited both in terms of numbers and powers. Frankly, I was convinced that this was a mission that certainly could not bode well for a political career.

I undertook it for two reasons. First of all, this matter had interested me for a long time, as early as my activity in the Commission for Government by Law of NSZZ [Independent Self-Governing Trade Union] "Solidarity." And second, I hoped that in spite of everything I was in a position to do a bit more in this matter than others.

[Kowal] What political-parliamentary groupings are represented on this commission? I am especially interested in the problem of whether there are representatives of the left, as traditionally understood, on it.

[Rokita] The commission, like others, was created according to the principle of parity. Consequently, all of the larger parliamentary groupings were represented on it, meaning, at that time, the OKP [Citizens Parliamentary Club], the PZPR [Polish United Workers Party], the ZSL [United Peasant Party], the SD [Democratic Party], and small Catholic groups. That was the arrangement in the Sejm at that time. The course of the commission's work ran this way: After very great preliminary interest in the membership among persons from the old PZPR, when it turned out that the work on it demanded an extraordinary quantity of time and effort, these deputies quit participating.

At the current time, if I remember well, one or two persons from the old PZPR are active. They remained throughout the first year of our activity, but they did not undertake any work or else they withdrew from it in various—sometimes rather shifty—ways, or without any justification whatever. It is not my place to find other reasons for their resignation.

[Kowal] What is the meaning of the commission's activities under today's conditions regarding personnel regulations? It was appointed in a totalitarian state, the

apparatus of which had no interest—nor was there any personal interest—in revealing the wickedness of the system. Currently, there are other people, and the law is not....

[Rokita] The commission received a defined task from the Sejm, and accounts of the progress on that task must be given before the Chamber. A report on the work on all the matters investigated by and entrusted to the commission must be given. Consequently, the essence of our activity could not undergo a transformation along with the changes in political conditions.

[Kowal] So please tell what arrangements have been made for cooperating with the prosecutors? According to what principles, taking the matter generally, were the relations between the commission and the prosecutor arranged?

[Rokita] Through the first year of activity, we could not rely on honest cooperation. Such reliance would be amusing, considering the fact that the prosecutor was often directed by the people who were at the time heavily involved in concealing the truth.

In actual fact, cooperation began with the great reform of the Prosecutor's Office and its subordination to the Ministry of Justice, which took place last year. At exactly that time, the Prosecutor's Office opened up to the commission's proposals, and this had the effect of initiating criminal proceedings in cases we had investigated. So far, dozens of them have been initiated. The commission collects and analyzes all accessible materials, formulates the conclusions that follow from them, and then transmits the output to the Prosecutor's Office. But it is exclusively within the commission's powers to make a decision about possibly initiating an investigation on this basis and, consequently, to decide about bringing someone before the court.

Recently, however, certain disharmonies have appeared in our cooperation, because the Prosecutor's Office adopted a method of procedure—not entirely correct from our perspective—that consists of extending investigations that essentially intend to reconstruct the activities of the former MSW in their entirety.

The consequence of this procedure is a lack of quick investigative conclusions. Consequently, highly protracted proceedings, especially in the most important cases, are taking place. In my opinion, we are today—in relation to the MSW—in a situation similar to that in which the American Justice Department was when it was pursuing Al Capone's gang. Just like it, we are attempting to prove great crimes, but because of the lack of sufficient evidence of guilt, we are forced to release suspects from prison.

[Kowal] There are still tax offenses, or—in an act of despair—parking tickets: half-measures which in the past have materialized repeatedly.

[Rokita] That is exactly the way the American Justice Department proceeded in fighting the expansion of crime during the Prohibition period. It seems that, under

our conditions, quick court trials would be the advisable thing. The Prosecutor's Office adopted the idea of more conclusive operations. The best testimony for this was the investigation into the case of Father J. Popieluszko. New evidence, witnesses, and defendants continued to show up. I do not want to evaluate this method of procedure. It leads with certainty to far-reaching settlements. It averts determination of the perpetrators' personal responsibility. But that is what the public is waiting for.

Another issue is that the Prosecutor's Office recently adopted a resolution on the lapse of prosecutions with respect to some of our opinions—for example, in cases of the liability of prosecutors for impeding proceedings or of doctors for not fulfilling their professional duties—and refused to initiate investigative activities into these matters. Meanwhile, the commission recognizes that an investigation should proceed even when it is probable that ascertaining the perpetrator cannot lead to criminal liability. A decision establishing a time limit must be the last, not the first, act of an inquiry.

[Kowal] Exactly. I recently heard your pronouncement on TV in which you complained of a prosecutor who refused to initiate proceedings because of a lapse of prosecution. Was this a manifestation of powerlessness with respect to the law in force or perhaps with respect to the immensity of the material that is the object of your inquiries and your fleeting time?

[Rokita] That was no complaint. What we have succeeded in establishing so far—with modest means and in spite of great difficulties—exceeds my initial expectations. After its reform, the Prosecutor's Office shared the vast majority of our conclusions, and all of them as far as the most important cases were concerned.

[Kowal] Just as the appointment of the "Rokita commission" was widely discussed in the so-called publicators two years ago, so today decidedly less is said and written about its existence. One can get the impression that the renewal of the investigation into the kidnapping and murder of Father J. Popieluszko as well as the arrest of a few retired generals who were mixed up in the affair constitutes one of the few concrete effects of your determinations and that at bottom—aside from whipping up foam—you cannot boast of many achievements....

[Rokita] The commission was not appointed in order to boast of anything. Most of its work—related to the problems that make up the stuff of the investigation, which is shrouded in mystery—takes place outside the public view. From the beginning, I strived not to make our group an object of extraordinary interest for the press, a journalistic sensation. Our task is to facilitate the work of the prosecutor's office.

[Kowal] I therefore will ask about the progress of the commission's work. How many cases have already been examined, and how many are awaiting their turn?

[Rokita] Of the basic list of 94 cases with which we were charged by the Sejm—Deputy Kowalczyk's list, which

was drawn up earlier by the Helsinki Committee—we have so far examined 55. However, all together, 75 opinions concerning deaths and killings have been examined and referred to the Ministry of Justice, to the attorney general, and to other regulatory organs. We classified about two-thirds of the cases as ones in which the initiation or renewal of criminal proceedings is essential. As a rule, we supplemented our conclusions with opinions on the lack of the moral qualifications required for further service among some officers of the MSW and some prosecutors. The Prosecutor's Office currently is either examining the possibilities of initiating proceedings, if it has not already initiated them, or else it has entered the case on the court docket. An example of the latter is the trial of Bogdan Wlosik's killer.

However, of the list of cases reported by citizens, about 25 percent of the instances qualify for criminal proceedings. The remainder do not indicate connections with the criminal-political activity of the Internal Affairs Department, although a large portion concerns crimes of another sort, for example, illegal acts of the prison system. Currently we are closing our investigations of about 30 incidents that qualify to be taken up again. On the whole, therefore, we will bring up 70 to 80 incidents with the Prosecutor's Office for renewed proceedings. The special investigative groups appointed by the commission are analyzing two great crimes committed during martial law in an especially penetrating fashion: one that occurred in KWK Wujek and another which took place during a street demonstration in Lubin. We are preparing to release to the public very interesting reports that for the first time reconstruct in a trustworthy manner the course and circumstances of these events and which define the range of responsibility of specific persons for both crimes.

We are also finalizing work on a report on the activities of the MSW's Department IV, the so-called priest department, and on the murder of Marcin Antonowicz.

[Kowal] In a statement made to POLSKA ZBROJNA a few weeks ago, Aleksander Herzog gave assurances that any day now he would get the files on Wujek and Lubin from the commission. Today we know that he has waited for them in vain. Does this delay mean that it is the extraordinary commission and not the Prosecutor's Office that is putting on the brakes?

[Rokita] We have been working nearly one and a half years on both matters, analyzing materials—which are sometimes very difficult to obtain—and remaining in frequent, close contact with the current leadership of the MSW. Reports at a fundamental level have been ready for two months. However, recently we became hopeful—especially in the case of the tragedy in the Wujek mine—of acquiring new documentation and contributing essential facts to the case. We therefore extended the deadline until the end of September, not excluding the possibility that more new facts will appear after this term, too.

[Kowal] Earlier you brought up the commission's opinions on questions of how useful some MSW officers and prosecutors are to the service and work, considering their moral qualifications. To what extent were your conclusions respected by the leadership of the Internal Affairs and Justice Departments?

[Rokita] To a large extent they became material for last year's verification of officers of the former SB [Security Service]. The result of the verification was the dismissal of the overwhelming majority of the persons from the MSW who were the objects of our negative opinions. The old employees of units subordinate to the Ministry of Justice constitute a significantly greater problem.

Last year's law on the Prosecutor's Office lead first to the verification of the cadre and, next, to the strong stabilization of personnel in the organs of the department. In the current situation, the attorney general does not have at his disposal the legal instruments that would authorize him to make accountable those persons who in the past themselves called into question their moral trustworthiness in the prosecutorial service. I believe that in the final report, the commission will also come to conclusions about amendments to the legislation on the Prosecutor's Office that would make legal compliance with our demands possible.

[Kowal] Do you see the principledness of transferring the commission's work to the next session of the Sejm—whether in an extraparlimentary form or else a second appointment of a similar deputies' group?

[Rokita] The appointment of a commission in the tenth term was the result of an extraordinary political situation in which we were the de facto replacements of the Prosecutor's Office and the police, neither of which possessed social credibility. However, I am convinced that in a state governed by law there will no longer be a need for the parliament to take on investigative functions.

However, I believe that in the next Sejm, commissions supervising the activity of the MSW, the special services, and the Prosecutor's Office will be indispensable. But tasks bringing results in a fairly short time should be entrusted to appointed, ad hoc extraordinary commissions. Extensive proceedings, similar to those which our commission conducted, must in the future be charged to organs that have at their disposal investigative powers, a specialized executive apparatus, and suitable material resources.

[Kowal] Thank you for the interview.

#### **Defense Budget, Training, Authority Issues Viewed**

91EP0599A Warsaw PRZEGLAD TYGODNIOWY  
in Polish No 24, 16 Jun 91 p 5

[Article by Miroslaw Cielemecki: "Dream of Power"]

[Text] The General Staff of the Polish Army has calculated that in order for the Army not to become an armed force that falls below European standards, it should buy,

among other things, 180 modern fighter aircraft, 100 attack helicopters, 100 transport helicopters, 1,000 tanks of the T-72 class or better, 250 armored personnel carriers, 730 mobile cannon, 15 antiaircraft rocket launchers, 15 ships, and 500 radar stations. If this modernization were to be completed over five or six years, it would require 500 billion zlotys (calculating purchase prices according to quotations from the beginning of this year). The budget of the MON [Ministry of National Defense] for this year stands at about 23.4 billion zlotys and is eight percent lower than last year's budget. About 22 percent of the money from the budget is allotted for purchases of new equipment. The real time frame for modernizing the Polish Army is retreating somewhere far into the 21st century.

What is the current state of the Army? Minister of Defense, Vice Admiral Piotr Kolodziejczyk, recently characterized it this way: "The state of our Army's technical equipment is getting worse not from year to year, but from month to month. The situation is beginning to be dramatic. The MON's budget for 1990 was a budget of survival. Maintaining it at a lower level (about 8 percent lower) this year permits one to use with some justification the expression 'budget of agony.' Equipment is not being repaired due to a lack of money for spare parts. Soon it will be suitable only for scrap."

In the Polish Army only about 27 percent of the combat aircraft and tanks, 29 percent of the cannon of 100-millimeter or higher caliber, and about 30 percent of rocket launchers are relatively modern. These criteria of modernity, which are not particularly extreme, are met by, among others, infantry combat vehicles BWP-1 and BWP-2, T-72M (modernized) tanks, antiaircraft rocket systems of the OSA type, 152-millimeter mobile cannon, remote control mine-laying systems, small caliber small arms, MiG-29 fighters and Su-22 fighter-bombers, Mi-24 attack helicopters, S-200 antiaircraft rocket systems, rocket gunboats, and some mine sweepers. Radio engineering units, which have at their disposal decent systems of command, detection, and guidance, are relatively well equipped.

Minister Kolodziejczyk referred pessimistically to the matter of outfitting our Army with modern, Western equipment. The chances of buying under the current budget are nil.

This year in the Army there were five new generals, including a woman and a general-chaplain, and 10 to 20 banners were taken out of museums. The Kosciuszko Regiment from Wesola, cuddled by the old and the new authorities, has put on green berets and tied into the traditions of the legions. Eagles on some caps have rearmed themselves with crowns and crosses. Pessimists say that these are the only changes in the Polish Army's armed forces.

As of 1 January 1990, the Armed Forces of the RP [Republic of Poland] numbered about 314,000 soldiers, among them 108,000 professional soldiers (142 generals and admirals, 54,200 officers, 29,055 warrant officers,

and 24,600 noncommissioned officers). By the end of the year, 93,412 soldiers had fulfilled their professional service, which means that their number diminished by nearly 15 percent. The so-called completion of the positions foreseen for professional soldiers stands at a level of 82 percent. There is a shortage of about 5,000 officers, 5,500 warrant officers, and 10,500 noncommissioned officers. The number of vacancies will grow considerably, to about 50 percent, when the plans for "professionalization" of the Army are introduced. Military schools (with the exception of the WAT [Military Technical Academy], the WAM [Military Medical Academy], and quartermasters' school) have many fewer candidates than the needs of the Army would indicate.

The deputy chief of the General Staff, Gen. Div. Franciszek Puchala, is a proponent of an army that is as professional as possible. The United States has an army that is completely professional. In Europe, Germany and France "professionalized" their armed forces 50 percent. The economic factor is not the only factor shaping the degree of "professionalization" in an army. Undoubtedly, Germany could afford a completely professional army. However, the constant conscription of recruits into the Polish Army has the effect of raising the degree of society's preparedness for protecting the state.

About 11.5 billion zlotys were allotted from this year's MON budget for the living expenses of Army personnel. According to data obtained from the finance department of the MON, it will cost about 13.7 million zlotys to support a general of ground forces, about 11.5 million for an officer, and 11.1 million for a warrant officer. A soldier in fundamental service costs 11.7 million zlotys annually. These costs cover food and drink, uniforms, medical treatment, living quarters, and transportation.

The pay of a professional soldier is made up of two components that depend on rank and training as well as on the position held. In May of this year, a general of a division who had served in the Army 26 to 29 years got 1,810,000 zlotys, and a general of a brigade (26 to 29 years), 1,720,000. A colonel of average length of service collected 1,537,000; a captain (eight-11 years), 1,146,000; a warrant officer (nine-11 years), 1,050,000; and a sergeant (eight-11 years), 938,000 zlotys.

Supplements are added to these rates: An armed forces commander (deputy admiral, the counterpart of a general of a division) got four million zlotys; a chief of staff (general of division), 3.5 million; a regional commander (general of a division or brigade), 3.1 million; a commander of a division (general of a brigade or a colonel), 2.5 million; a commander of a regiment (usually a major or lieutenant colonel), 1,795,000; a commander of a battalion (major, captain), 1,292,000; a company commander (captain, lieutenant), 1,166,000; a platoon commander (lieutenant, warrant officer), 1,010,000; a team commander (noncommissioned officer), 902,000 zlotys. Various supplements go into this, for example, for service at sea, for pilots, etc. However these are not significant sums.

It follows from these calculations that a soldier in fundamental service costs less than a professional. However, when one considers that a conscript is trained only for the period of his service, which currently amounts to a year and a half, that he does not attain a high level of military expertise during this time, that combat equipment is used up more quickly, and, finally, that he is taken away from his civilian professional work, it turns out in the final accounting that a professional army is cheaper.

For young officers just beginning military service, many attractive positions are opening up due to the release of older soldiers to the reserves. However, this is not slowing the process of skillful officers, often the most capable, leaving the Army altogether. They are starting businesses and finding employment in private enterprises that ensure more advantageous conditions for making money.

The cadre policy that was in effect in the Polish Army in recent years did not promote preference of the best. Political factors very often determined the most important promotions.

Currently new legal acts are being prepared and documents, according to which cadre matters will be conducted, are being amended. Models are being drawn from Western armies, including the Bundeswehr.

In order to fill the holes in the cadre in the future and to hasten the professionalization of the Army, legal acts that will enable the utilization of professional contract service are also being prepared. A contract will run five years and have an option for extending it for another term. The Army is concerned chiefly with bringing in experts whom the military schools do not train.

The Polish Army is also preparing its cadres in foreign schools. Last year 84 officers were in the USSR for studies, seven in the former NRD, 10 in Czechoslovakia, and nine in Hungary. Every two years, 10 to 12 of the most capable officers are sent to the "academy of generals," in other words, the Armed Forces Academy of the USSR, known as the Voroshilov school, for two years of studies. In 1990, six officers were sent there.

Now, Polish officers will also be educated in the West. "We will send them to foreign schools to study subjects on which we do not offer instruction in our schools," said Colonel Jozef Buczynski of the cadre department of the MON. "It is anticipated that they will be sent, for example, to the Royal Military Technical Academy of Great Britain for annual master's courses in the area of the reliability of deliveries of military equipment. Our officers will be able to receive instruction of a technical or humanistic nature in the schools of the Bundeswehr. It is anticipated that 15 to 20 officers will be sent abroad annually."

Currently, two officers are in Cologne for a language course. From there, they will proceed to the Bundeswehr Command Academy. Four others have begun studies in Munich and Hamburg. France so far has opened three

spots in the Higher Military School, which educated many Polish officers before the war.

Debates on the future model of Army command continue to take place. Certainly the Army's immediate superior will be the civilian minister who has deputies that are responsible for social relations and training, for shaping defense policy, and for arms and military structures. Subordinate to the minister will be a military section commanded by a general, either the chief of the General Staff or the main inspector of the Armed Forces. He will have three deputies directing the strategic planning staff, the training inspectorate, and the logistics section. Plans are also being made to put the following departments into the military section: the cadre, finance, and education departments, the military police, and the health service. Discussions are currently taking place on the range of powers and the placement of military intelligence and counterintelligence.

Who will be in charge of the Army: the president or the government? A heated discussion on this subject has been going on for a long time. The deputy minister for national defense, Janusz Onyszkiewicz, criticized the plan concerning the powers and method of operation of the Committee for National Defense (KON). In the plan worked out by the interdepartmental commission, there are no regulations concerning the KON's consultations with the government, and there are not any connections between the organizations either. Minister Onyszkiewicz perceived a threat in this; namely, that matters of national defense would elude parliamentary control and go under the direct powers of the Office of the President.

The KON's predecessor in the PRL [Polish People's Republic] was a collegial organ that was formed in 1977 and called the National Defense Committee [KOK].

After Tadeusz Mazowiecki took office as prime minister, work was begun on changing the previous wording of the committee's name. There were various proposals, including the Council for National Security and the Committee for National Defense. After Lech Walesa moved to Belweder, the first name began to be used.

The secretariat is (and will be) the executive organ of the council. The Office of National Security is to be subordinate to it. An advisory college, consisting of the heads of the General Staff of the WP, the Office of State Protection, and Civil Defense, as well as the deputy ministers of foreign affairs and finance, is to act alongside the council.

After the president's decree it turned out that the change of KOK's name would only be possible after the ratification of a new parliamentary statute. Much controversy was excited by the fact that the president reduced the rank of the National Defense Ministry in his administration by shoving it down in the hierarchy of the council's management.

The structures of the proposed council were very unclear. Even the recent minister of state, Jacek Merkel,



when asked by a journalist what military powers it has, answered none because only the president has those.

Lech Walesa unexpectedly recalled Jacek Merkel from the chancellery and appointed Lech Kaczynski to that position.

Absent legal regulations, the name Committee for National Defense is currently being used.

In recent months, if the research of the CBOS [Public Opinion Research Center] is to be believed, the record of the Army is rising steadily. It currently possesses greater social trust than the Catholic Church. We have already had such a situation in our history when the Army was cuddled by society, which generously pooled its money for the purchase of tanks, airplanes, and machine guns. Of course, a strong army is not built in this way.

**Competitive Bids for Construction Jobs Proposed**  
*91EP0607B Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 26 Jun 91 p 1*

[Article by M.Sz.: "Bids for Construction Jobs"]

[Text] For years, money from the state coffers was treated as belonging to no one. Thus, it was spent with little concern. This pertains to many fields, including construction work. The departure from the principle of bidding has resulted in that investors exercising control over public funds simply have used them inefficiently. The proposals, prepared by the Ministry of Land Use Management and Construction, of returning to the obligation of conducting bidding for construction jobs and services financed with the participation of State Budget funds are aimed at the rational and efficient use of money. They are also indispensable in light of adapting our building industry to EEC terms because the principle of conducting bidding for jobs financed from public funds is in force in countries of the EEC.

According to information given to RZECZPOSPOLITA by Deputy Minister Adam Kowalewski, the bill presented to the government specifies which construction jobs would be assigned on the basis of bidding, whereas the Council of Ministers would determine the mode of ushering this in by way of rulings.

"In the proposed solutions," states Deputy Minister A. Kowalewski, "it is assumed that contracts pertaining to the fulfillment of construction jobs and services financed

entirely or in part from the State Budget and gmina budgets should be entered into only following the prior invitation of bids by the party commissioning the work. Moreover, this rule should also apply to construction jobs and services dealing with multifamily housing construction where bank credit comes into play refinanced in part or entirely from State and gmina budget subsidies as well as from foundation funds supported by the State and gmina budgets and financed from credit guaranteed by the Council of Ministers or the minister of finance."

The Ministry proposes the principle of the common practice of participation in bidding and the adoption of criteria of technical and economic credibility. Proof confirming the economic credibility of the contractor-supplier would include the following, among others: adequate bank account deposits on record, complete or abbreviated balance record of the given enterprise and a document stating the degree of the firm's turnover, including that which pertains to work and services that were subjected to bidding during the last three years. Proof of technical credibility would include evidence of major jobs and delivered services during the last three years, the technical profile of equipment indispensable for the performance of work, as well as the profile of qualifications of the basic technical cadre.

The proposals include an entry that would exclude those economic subjects from bidding for work and services that have been proven to have at least one uncompleted previous job or service or that have failed to deliver through their own fault or have completed the job unsatisfactorily. Penalty period—three years. Firms against which closing or reorganization proceedings have been initiated or whose bankruptcy has been announced as well as those that have not paid taxes, among other things, and also those submitting false information in connection with participation in bidding would also not be allowed to participate in the bidding.

Contracts for jobs and services to be delivered would be entered into following written bidding, unrestricted or restricted, or following public voiced bidding. However, bidding in writing is definitely preferred. The basic criterion for choosing a certain bid would be that which is the most favorable economically. Thus, one that offers the lowest cost, the shortest deadline, high quality, and so forth.

**Information on the Results of the Auction Sale of Securities by Banks to the Polish National Bank [NBP]**

**I. Information on the results of the auction held on 25 June 1991**

|   |                    |
|---|--------------------|
| 1. Funds set aside by NBP for the purchase of securities  | 100,000,000 zlotys |
| 2. Value of securities offered for sale by banks  | 100,000,000 zlotys |
| 3. Value of securities purchased by NBP   | 100,000,000 zlotys |
| 4. Share of NBP bonds and Treasury notes in the value of securities purchased by NBP  | 100 percent        |
| 5. Share of value of accepted offers with the lowest repurchase price in the total value of submitted offers at this price    | 100 percent        |
| 6. Percentage ratio of the difference between the repurchase price and the purchase price of securities to the purchase price |                    |



**Information on the Results of the Auction Sale of Securities by Banks to the Polish National Bank [NBP] (Continued)**

|   |  |
|---|--|
| 1) For the lowest accepted price  | 2.78 percent, i.e., 71.49 percent on an annual scale |
| 2) Average  | 2.78 percent, i.e., 71.49 percent on an annual scale |
| 7. Deadline for delivering the securities to NBP                              | 26 June 1991   |
| <b>II. Information about the next auction</b>                                 |  |
| 1. Date   | 2 July 1991  |
| 2. Deadline for submitting bids   | 1 July 1991  |
| 3. Funds set aside by NBP for the purchase of securities                      | 100,000,000 zlotys                                   |
| 4. Deadline for delivering securities to NBP                                  | 3 July 1991  |
| 5. Date of transfer by NBP of funds resulting from the purchase of securities | 5 July 1991  |

**Report on Textile Industry Needs, Potential**

91EP0608A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 26 Jun 91 p III

[Article by Ada Kostrz-Kostecka: "Hopes and Fears: Light Industry at the Crossroads"]

[Text] Our light industry has great traditions and a good trademark. As with any generalization, this longstanding reputation is not entirely true. This industry has both modern factories and plants nearly on the level of workshops. Programs to activate entire branches were created earlier, however, in the assumption that the makers of final products must have as many domestic raw materials as possible. Even so, enormous amounts of money would have to be spent on essential imports like wool, cotton, and rawhide, and all this involved various sorts of privileges, for the weak, of course, to keep them, so they did well on their own.

At the request of the World Bank, experts from the Boston Consulting Group recently assessed the condition of light industry and its long-range prospects for development. The consultants found the worst situation, from the technical viewpoint, in the spinning mills set up to turn out products of intermediate quality because they did not have any equipment available that would permit them to produce thin yarns of the highest quality. Next, in the weaving mills, the preparation departments as a rule need to be modernized. The largest outlays, however, are needed for the dye-houses and finishing departments for textiles and knitwear. These facilities often employ outmoded machinery that cannot be used to make fabrics with modern end-use finishes or to produce textiles that are of high quality both in terms of aesthetics and utilitarian properties.

Knitwear and hosiery factories generally operate on a good level. Things are worse in the leather industry. The factories producing furs and clothing came out the worst in the assessment. Footwear and tanning factories fared slightly better, but they did not come up to European standards.

Generally speaking, our light industry—this judgment probably does not apply only to it—remained well

behind the European leaders in terms of computerization. Computers, after all, permit short production series and allow quick design changes.

Given such a diagnosis of the engineering and technology level, after still taking into consideration the qualifications of the people employed in this industry, the experts came to the conclusion that Polish exports of ready-to-wear and knitwear have the greatest chance of success. The products of our tailors' art are marvelous when they are made out of foreign materials, called "service processing." When domestic fabrics, thread, and notions are used, however, the overall effect is poorer. We therefore need to improve the quality of the raw materials and the like, if we want to export more jackets, coats, and men's and ladies' suits.

The Boston experts think that our combed woolens have the best chance at competing with fabrics on the world markets and that the Bielska Welna wool trademark merits greater promotion. The same is true of products with the Polski Len linen trademark, although linen faces great competition in Europe.

On the other hand, we do not have much chance with cotton, because we mainly produce coarse underwear fabrics in large enterprises that are not flexible enough to meet consumer needs.

Carded cotton fabrics do not have a chance as an export to the West either. Polish synthetic fibers, especially viscose and polyacrylonitrile fibers, did not receive a favorable opinion from the viewpoint of quality or utility either. The experts did not think it would be useful to modernize synthetics plants because these fibers are being overproduced in the world already.

The firms that had once been adapted to a market economy did little last year to shift to a new course. Surely not all of them, but many, simply wasted the year, and they are still employing too many people and at the same time are not making adequate use of their production capacity. Their costs are too high and their effectiveness too low, and expanded social activity is still getting in their way.

The internal organization is questionable. The trade, economic, and financial elements in existence are based

nearly entirely on past aspirations and have no practical influence to improve the exploitation of machinery. Market principles do not guide the enterprises' sales, production, and purchasing plans. There are no marketing departments at all to work at acquiring new markets.

The assessment of the Ministry of Industry is similar, but it cannot and will not grant any more special privileges. Instead, it is trying to improve operating conditions for the whole industry, for example, by expanding export quotas with Western countries, and to modify certain unrealistic regulations. Above all, it is trying to gain Western credit for this industry.

It turns out, however, according to Stanislaw Bettman of the Ministry of Industry's Department of Industrial Policy, that there still are not many firms able to present the sort of restructuring program necessary to be accepted by potential creditors. The creditors want to see that their money is going to be well invested, that it will produce the sort of profit to enable the plant receiving the credit to effect repayment within the period specified. The case of the former Wiosna Ludow [Springtime of the People] Plants in the wool industry, now the Texo Upholstery Plants, which received 5 million dollars at the beginning of this year and then changed their orientation, is still a rare example.

The World Bank has awarded Poland another loan, designated, among other things, for the privatization and restructuring of enterprises, but this would have to accelerate changes in ownership, because the creditor specifies that state enterprises are not eligible for these funds. Only enterprises that have at least come to the decision to "commercialize" are eligible.

#### **Difficulties Noted in Firms' Capital Spending**

91EP0608B Warsaw *RZECZPOSPOLITA (ECONOMY AND LAW supplement)* in Polish 26 Jun 91 p III

[Article by M.Sz.: "Investments During the Crisis"]

[Text] The latest available statistics indicate a further decline in the level of investment. Investment outlays during the first four months of this year were 14.5 percent lower than during the same period last year.

The chief reason for the decline in investments is the difficult financial situation of the companies and the State Budget. Outlays for construction and installation work were 24.5 percent lower than a year ago, and funds allocated to buy machinery and equipment were at the same level. Imported investment goods were the determining factor. These imports increased by about 20 percent during this four-month period. Purchases of domestic products, on the other hand, were about 11 percent lower than they were during an analogous period last year.

The number of investments increased this year after two years of decline. The Central Planning Administration states that since the beginning of this year, work has begun on 3,100 investment tasks with a cost-estimate

value of 12.1 trillion zlotys. Compared with a year ago, this is 114.3 percent. During this same period, investment prices increased by 46.7 percent. On new investments begun in the coal and power industries, in light industry, in the food industry, in communications, and in the municipal economy, the cost-estimate value increased more rapidly than prices. Construction was begun, for example, on the 700 level in the Saturn Hard Coal Mine in Czeladz, on exposures of brown coal at the Kazimierz-North Mine, and on the storage yard for industrial waste from the Warsaw thermal electric complex. Work also began on modernization of the electro-filters of the fourth block at the thermal electric plant in Laziska, on the installation of electricity on the railway route from Olsztyn to Elblag, and on construction of the Warsaw-Siekierki waste-water treatment plant. Investments in the electric-machine and chemical industries were smaller, just as they were last year.

Investment outlays totaled 21.8 trillion zlotys overall during the period from January to April. (There is a month's delay in the data on the investments that were completed and signed over for use.)

#### **Decline in Winter Barley, Rapeseed Harvest**

91EP0607A Warsaw *RZECZPOSPOLITA (ECONOMY AND LAW supplement)* in Polish 26 Jun 91 p II

[Article by Edmund Szot: "Lean Times in the Fat and Oil Industry"]

[Text] The so-called small harvest, which in Poland is understood to mean the harvesting of rape and winter barley, will begin more or less in two weeks. Incidentally, this "small harvest" is becoming increasingly smaller in our country because over five times more spring barley is being grown whereas the attractiveness of rape has been declining systematically for the past several years.

This year it covers an area of approximately 420,000 hectares (last year, approximately 460,000 hectares) whereas the total harvest will come to approximately 1 million tons (a year ago, it was 1,100,000 tons). However, even this size harvest exceeds the processing potential of the Polish fat and oil industry, which comes to 740,000 tons. Thus, the remaining grain has to be sold abroad. Unfortunately, there is the possibility that this "remainder" will be considerably higher because exporters are heavily penetrating the rapeseed market, offering attractive (within moderation) prices, and even making advance payments.

Meanwhile, in order not to be completely reduced to beggary, the home fat and oil market cannot offer producers purchase prices higher than last year. Thus, plants want to pay from 1,000,000 to 1,200,000 zlotys per ton for rape with a moisture content of approximately 14 percent, and for dry rape (with a 7-percent seed moisture content)—from 1,400,000 to 1,700,000 zlotys per ton. These bids are much lower than the producers' expectations. They had their sights set on 2,200,000 to 2,600,000 zlotys per ton. They are also lower than the proposals of the National Union of

Farmers, Agricultural Circles, and agricultural organizations, in whose opinion the cultivation of rape becomes profitable when the purchase price is at 1,850,000 zlotys per ton.

According to the fat and oil industry, credit for the purchase of rape is not preferential enough (let us remember that the national budget pays 40 percent of the interest) and does not make it possible to raise the purchase prices offered by plants because margarine and oil prices would have to be raised immediately, whereas with a liberal tariff policy, domestic products even now frequently lose out in the face of products from abroad (which are, after all, subsidized). Because of this, some of the plants use up only a small part of their production potential. Incidentally, this also raises the cost of processing.

The price "pinching" of the fat and oil industry will primarily hit the government sector of agriculture, which is the supplier of approximately 70 percent of the rape purchased. In effect, its cultivation is centered in a dozen or so northern and western voivodships, whereas half of the rapeseed purchases come from seven of them (Czeczecin, Opole, Olsztyn, Elblag, Wroclaw, Poznan, and Gorzow voivodships).

As was the case a year ago, rapeseed purchasing may be conducted by anyone who has the right means and possibilities to do so, such as fat and oil industry plants, grain and milling industry enterprises, gmina cooperatives, as well as independent economic entities with appropriate means at their disposal. However, if such purchases are done on a service basis, then the cost of the service should not be calculated too high. Otherwise, the given establishment or unit will not be able to make full use of its storage space.

This essentially gloomy information on the Polish fat and oil industry has a bright note: In Szamotuly, a modern plant of the fat and oil industry is being built at a rapid pace (construction delays do not exceed three to four months) by the Germans and Yugoslavs. This plant will process 150,000 tons of rapeseed and may be placed in operation as early as next year. The construction of two others (in Szczecin and Lomza voivodships) has not as yet materialized.

#### **POLITYKA Weekly News Roundup: 14-20 Jul**

91EP0632A Warsaw *POLITYKA* in Polish No 29,  
20 Jul 91 p 2

[Excerpts]

#### **National News**

[passage omitted] During a meeting of the Political Advisory Committee at the Ministry of Internal Affairs, nominations were given to two new members: Krzysztof Kozlowski, former minister of internal affairs, and Janusz Palubicki, head of the Wielkopolski Region of Solidarity. The prime Minister removed Senator Andrzej Celinski, Prof. Hieronim Kubiak, Deputy Jacek Merkel, and Advocate Jacek Taylor from the committee.

The committee gave a positive opinion on the candidacy of Roman Hull to be main commandant of the police and thanked Leszek Lamparski, the current commandant, for his services. Due to differences with the minister of internal affairs, he has submitted his resignation. The NSZZ [Independent Self-Governing Trade Union] of Policemen initiated a protest action against the possible appointment of R. Hull. More on pages 1 and 7.

The National Conference of the Citizens' Committees adopted a resolution on the formation of a broad election agreement among the Christian-Independence-Solidarity forces.

The presidium of the National Commission of NSZZ Solidarity stated that it will not form any election coalition with any other groups. Marian Krzaklewski, the chairman of the National Commission, declared that he does not intend to be a candidate in the parliamentary elections unless the National Commission requires him to be candidate. Marian Jurczyk, chairman of the National Commission of NSZZ Solidarity '80, also does not intend to be a candidate. [passage omitted]

In June 1991, according to the Central Office of Statistics, income from the sale of production and services in industry was 0.8 percent higher than in May. The number of unemployed passed 1.5 million individuals, and the average wage in the six basic sectors of the economy was 1,722,900 zlotys.

During the presentation of three candidates for voivode of Suwalki Voivodship, Andrzej Podchul received the most votes of the members of the Self-Government Sejm (27 out of 47). The candidate for voivode announced that if he receives the nomination from the prime minister, then during his time in office he will suspend his membership in the Confederation for an Independent Poland [KPN]. [passage omitted]

Roman Bartoszcze, the former president of the Polish Peasant Party [PSL], has formed a new party—the Polish Peasant-Christian Forum "Patrimony" [PFLC "O"].

The OPZZ [All-Polish Trade Unions Agreement] has formed a National Protest Committee. Wacław Martyniuk, the deputy chairman of the OPZZ, is the chairman. The committee wants to give legal and organizational aid to everyone in need of it and to the protesting factories.

Ewa Roman-Zukowicz, a member of the leadership of the Christian-Social Union [UChS], has been named chairwoman of the Conference of European Catholics, which is an association of Christian churches.

In the Krosno voivodship, 13 state farms have been placed in liquidation because of bankruptcy.

President Lech Walesa has received an appeal of representatives of the gminas in the Polish section of the Poprad Valley protesting against the construction of a nuclear power plant in Slovakia, 50 km from the Polish border. Plans call for water from the Poprad to be used in cooling its reactors.

Through the middle of June 1991, there have been 27,204 cases of German measles in Poland. That is twice as many as there were during the same period in 1990. Primarily, the disease has struck children in large cities.

About 200 individuals born beyond the Bug River, members of the Association of Repatriates-Creditors of the State Treasury demonstrated in Wroclaw demanding, among other things, assets left by the Soviet Army as it leaves Poland for the assets left in the eastern lands.

Today the Union of Ukrainians in Poland has about 10,000 members in more than 180 chapters throughout Poland. The union has adopted the Ukrainian national colors: blue and yellow, and the historic coat of arms of the Ukraine: the Trident of Volodymyr the Great. [passage omitted]

As part of the so-called group layoffs, 1,300 individuals will leave radio and television by 31 August 1991. In Warsaw, 713 individuals will be laid off, including 253 from the television corporation, 201 from the radio corporation, and 259 from the administration. Four of the nine currently existing orchestras have been dissolved. The Center for Research on Public Opinion will be privatized. More on the changes at the radio and television on page 15.

In the next one-and-a-half years, the Japanese firm Tomen Corporation intends to build a textile factory in Zelow in the Piotrkow Voivodship. The factory will produce about 21.3 million meters of cotton and cotton-synthetic cloth annually.

Through 15 August 1992, the Polish Government is collecting offers from foreign oil companies to search for deposits of oil and gas. There are 32 parcels of a total area of about 1,000 km<sup>2</sup> that will be auctioned. Maciej Nowicki, minister of environmental protection and natural resources, presented the proposal in London.

Nominations: Prof Andrzej Zoll, who headed a similar commission during the presidential elections, has been named chairman of the State Election Commission. [passage omitted]

### Opinions

*Prof. Dr. Walerian Panko, deputy, president of the Supreme Chamber of Control:*

(Interviewed by Marek Rudnicki, SZTANDAR MLODYCH 5-7 Jul 1991)

[Panko] Recently in a local newspaper there was an article that a representative of the Chamber made a declaration at some meeting...on his own. That is not permissible....

I will condemn such attitudes. In every state, a person who does something on his own, while representing an office, disappears from the service. And that is how it will be with us! There will an information embargo until the information is in its final form. If there are leaks, those responsible will go. The Supreme Chamber of

Control cannot be a source of supposed sensations for participants in the election campaign.

[passage omitted]

*Janusz Wuttke, chairman of the Sejm Commission for National Minority and Ethnic Affairs:*

(Interviewed by Stanislaw Pestka, POMERANIA No 5. 1991)

[Pestka] Are there any problems today with loyalty by minorities?

[Wuttke] As regards certain misunderstandings, which from time to time appear, I wish to state clearly that national ethnic, language, or religious minorities are not obligated to some special loyalty to the state. They have the same duty of loyalty that falls upon all citizens of the Republic. No minority can bypass the Polish Government and call upon the government of its native country to intervene in its affairs.

[Pestka] A concrete example?

[Wuttke] When I receive a proposal for a German school, I put the issue openly: In the Republic, there are no and will be no German, Ukrainian, or Byelorussian schools operating under current Polish law, under the supervision of curators.

*Prof. Dr. Zofia Kuratowska:*

(Interviewed by Jaroslaw Matul, ZBLIZENIA 4 Jul 1991)

[Matul] As deputy marshal of the Senate, do you not think that brewing up a storm around the Election Law by Lech Walesa and his entourage is another substitute topic for society?

[Kuratowska] To a large degree that is true. During the entire presidential campaign, L. Walesa made many promises. Now people are demanding they be kept. I have heard that letters are arriving en masse about him keeping his promises, which obviously he cannot do. There are no realistic foundations, and thus it is necessary to search for guilty parties.

*Professor, Father Jozef Tischner:*

(Interviewed by Krzysztof Tadej, SLOWO LUDU 5 Jul 1991)

[Tischner] Before someone begins to criticize, he should understand reality and later describe it. Let us consider a small provincial town. There are no political parties there, no deeper cultural life, economic knowledge is meager. Where are people to go for advice, for whom to vote? Where are they to learn who is who? Criticism of so-called clericalism is also an opportunity for the intellectuals to pound their chests since they have not done something. The priests are not pressing to induce elections to the national councils and the Sejm. Parish priests unwillingly participate in meetings during which citizens' committees argue among themselves about which candidate to nominate for deputy. We have a lot

of our own work. This phenomenon impels one to think, shows what is the situation in our country.

*Prof. Dr. Karol Modzelewski, senator:*

(From comments during a meeting in Bialystok from KURIER PODLASKI 4 Jul 1991)

There is not just a potential danger of clericalization. The church, considered as a hierarchy, stands at a split in the road after the overthrow of Communism. In any case, we did not overthrow Communism. Communism, as a result of a convergence of many circumstances both domestic and foreign, simply collapsed. In part on our heads.... At present the institutional church is trying to fill the empty place.

*Janusz Korwin-Mikke, leader of the Union for Real Politics [UPR]:*

(Comment for DZIENNIK LODZKI 8 Jul 1991)

Decommunization should be a change of system and not the removal of people. If the Solidarity activists or those of the Confederation for an Independent Poland take the place of the PZPR [Polish United Workers Party] activists, then we will build just what there was. In my opinion, the order in Poland has in practice not been changed. Decommunization means the departure from community, from joint subsidies for rent, required social insurance, state schools, and state hospitals. And thus a resignation from the army of bureaucrats, which will make everything cheaper.

#### **POLITYKA Weekly News Roundup: 7-14 Jul**

91EP0612A Warsaw POLITYKA in Polish No 28, 13 Jul 91 p 2

[Excerpts]

#### **National News**

The Sejm adopted a general income tax law. Beginning 1 January 1992 about 20 million individuals will pay one tax instead of the current taxes. The incomes of physical individuals will be subject to it, including, among other things, wages, retirements, and pensions, with the exception of the pensions of war invalids. In 1992 for annual incomes of up to 64.8 million, the tax collector will take 20 percent of the income less 864,000 zlotys. For incomes from 64.8 million to 129.6 million, he will take 12.96 million plus 30 percent of the surplus above 64.8 million. For incomes above 129.6 million zlotys, he will collect 31.536 million plus 40 percent of the surplus over 129.6 million zlotys. The law includes a series of exemptions. Among other things, income from lotteries, state awards, and also the interest from bank savings deposits are not subject to the tax.

The Committee for National Defense gave positive appraisal to the proposed reorganization of the Ministry of National Defense, which calls for naming a civilian minister of defense and a military person as general inspector of the Armed Forces.

Deputy Admiral Piotr Kolodziejczyk, the current minister of national defense, has been proposed for the latter post.

The Solidarity National Commission said that double authority threatens the union and has decided that the chairman of the regions will hold warning discussions with the Solidarity factory commissions from the enterprises in the so-called network, which has been criticizing the moves of the "nationals" for a long time. Slawomir Rogucki, a secretary of the National Commission, even threatened particular factory commissions with deregistration by the regions.

The Polish Party of the Homeless has been registered by the Voivodship Court in Warsaw.

The Wroclaw section of the Democratic Union [UD] decided that Wieslaw Frasyniuk will be first on the 12-person district election list and Deputy Barbara Labuda will be second. The section of the Democratic Union showed that few people want to seek a place in the Senate. It found only one candidate from the Democratic Union for the two seats in the Senate allotted to Wroclaw.

According to a journalist of THE WASHINGTON TIMES, among the 28 individuals around the world mentioned in discussions of the next secretary general of the U.N., Pehr Gyllenhammar, president of Volvo, and Prof. Krzysztof Skubiszewski, Poland's minister of foreign affairs, have the greatest chance at present.

Gen. V. Dubynin, commander of the Northern Army Group of the Soviet Army, announced that in the coming year, Soviet units will leave Bialogard, Sypniewo, Borne-Sulinowo, and the garrison in Gorzow Voivodship. The airport in Chojna will be liquidated and perhaps the one in Kluczewo as well.

On an order of the parish priest in Nietulisk Duzy near Starachowice, the parishioners cut down an oak, which was more than 100 years old, in an historic area. The oak wood was to be used for benches or molding for the church. The priest cut down the oak without the required permit and the gmina mayor imposed a fine of 2.624 billion zlotys on the parish. The prosecutor is also conducting an investigation.

Unofficial reports show that in the fall of 1991 the Reuter Agency intends to organize its own network of correspondents in Poland. Reuter has already talked with the best PAP journalists about changing employers.

According to research done by the Public Opinion Research Center, nearly 80 percent of this year's school graduates do not feel closely attached to any political or social organization. The others most frequently declare an attachment with a sports club and to the Polish Party of the Friends of Beer.

The Liberal Democratic Congress [KLD] will contest the Sejm elections independently and the Senate election in a coalition with the Center Accord [PC] and the Democratic Union [UD].

Krzysztof Zabinski, the minister head of the Office of the Council of Ministers, presented the new model of Polish public administration. It calls for the formation of the Ministry of Public Administration and the liquidation of the Office of the Council of Ministers and the Ministry of Internal Affairs. The government administration, the police, and the fire fighters will be under the new ministry. On the other hand, the Chancellery of the Council of Ministers will directly service the government's work, and its head will not be a member of the government. The Office of State Protection will be removed from the liquidated Ministry of Internal Affairs and placed directly under the prime minister. [passage omitted]

President Lech Walesa during a two-day conference on the new constitution called for a strong political center, but did not say where it should be. [passage omitted]

The Warsaw-Center City Regional Prosecutor has initiated a case against the Polish National Community of the Polish National Party represented by Boleslaw Tejkowski. According to the communique, from February to June 1991, this party distributed appeals and leaflets "calling for strife along ethnic differences, insulting, demeaning, and deriding national and religious groups and individuals conducting religious activity and insulting the nation and the officials of the Republic."

High school graduates seeking a place in the incoming class at the Slask Medical Academy had to pay 100,000 zlotys to take the machine-graded test. [passage omitted]

### Opinions

*Karol Modzelewski, senator:*

(Interviewed by Zbigniew Jakubczyk, TRYBUNA OPOLSKA 15-16 May 91)

[Jakubczyk] In your opinion is the threat from the post-Communist forces real at present?

[Modzelewski] I think that the post-Communist forces will not gain crucial support from the voters so quickly. The greatest threat is one that could come from the East, if martial law was declared there and brought even brief success. I would not overestimate such a threat. But such generals, if it happens, would have much work to do at home.

*Jaroslav Kaczynski, leader of the Center Accord [PC]:*

(Interviewed by Wlodzimierz Pazniewski, DZIENNIK ZACHODNI 28-30 Jun 91)

[Pazniewski] A couple of days ago Guy Sorman's book "Leaving Socialism" appeared in Poland. In it, the author cites your views and is full of respect for your decision. He writes: "No one is more different from each other than Michnik and Kaczynski. Michnik is chaotic, speaks obscurely; the other is cold and precise. This

young man, if he ever becomes prime minister under an elected president, will be a terror for his opponents." These sentences were written prior to the elections. Are you really so dangerous in politics?

[Kaczynski] You have asked me a truly difficult question. If I say yes then I shamelessly applaud myself; but if I say no, that is an unpolitic action. I would only correct one thing, actually two things.

First: Michnik is a dangerous man in politics. That must be taken into consideration. I would not underestimate him in spite of the fact that he really does have a tendency to chaotic thinking as regards these issues. He is very precise in literary things, less so in politics.

Second: He includes a term placing me as a politician in the future, young. But I am older than the current prime minister.

*Zbigniew Bujak, leader of the Democratic-Social Movement:*

(Interviewed by Jola Brudzinska, DZIENNIK LUBELSKI 24 Jun 91)

[Bujak] We are for a thorough, clear separation of the state from the church. Does that mean we want to minimize the social role of the church? Absolutely not. On the contrary, we are disturbed by its policy, which is causing a rapid decline in its authority. That is very bad. Poland for the next 10, 15 years will need an arbitrator of unquestioned moral authority, not directly engaged in politics, and thus neutral and credible. Meanwhile, the clear support of the church hierarchy for one of the political options, an attempt to implement its tasks through the use of the civilian arm of the authorities, makes that impossible. And that is too bad. We all, I too, are very concerned with this. The church's position on the antiabortion law will lead to an end of its authority in moral problems. All of that will strike its structures like a boomerang.

*Lt. Col. Stanislaw Dronicz, member of the group for reform of the military:*

(Interviewed by Wieslawa Kwiatkowska, TYGODNIK GDANSKI 30 Jun 91)

[Kwiatkowska] Where do you recruit the training officers?

[Dronicz] The political apparatus has been reduced from 5,000 to 2,500, but the entire political core has remained. And they have become training officers.

That is a moral slap in the face. Those who conducted indoctrination yesterday, implanted communist ideas, today are training the Catholic spirit. They have turned about in one night. Now they check who does not attend church, who is unconfirmed, who has not had a church wedding; they attend every procession, establish limits, how many officers, how many noncommissioned officers are to attend religious ceremonies. [passage omitted]

### **Government Spokesman on Anti-Semitism, U.S. Ties**

*AU0108181091 Bucharest ROMPRES in English  
1543 GMT 1 Aug 91*

[Report on news conference by government spokesman Minhea Constantinescu in Bucharest on 1 August]

[Text] Bucharest ROMPRES, 1/8/1991—In connection with the resolution endorsed on July 29, 1991 by the U.S. House of Representatives, Romanian Government's Spokesman Mihnea Constantinescu stated at a press conference on August 1 he was empowered to express sorrow and desolation at the recrudescence of antisemitism and inter-ethnic animosities in this country. Firstly, because the phenomena referred to, which are rather isolated journalistic cases, are seen as specific of the post-revolutionary period as a whole. Secondly, because all the democratic institutions in Romania—political parties represented to the Parliament and to the government—trenchantly condemned such shows. That they isolate any form of extremism and make them regress is a reality in Romania that cannot be ignored. The shows the resolution refers to are not characteristic of the Romanian people.

We express our hope that the current positive course of the Romanian-American relations is the best guarantee that, on the one hand, the Romanian Government's pledges on this matter are categorical and, on the other hand, the U.S. public opinion and the U.S. decision-makers shall be constantly and correctly informed, in the spirit of the friendly ties between the two states, about the sociopolitical developments in Romania and the realities here, Mr. Mihnea Constantinescu also said.

### **Former Iliescu Rival Mazilu Appears at Roundtable**

*AU0308180691 Bucharest Programul Unu Radio  
Network in Romanian 1700 GMT 3 Aug 91*

[Text] A roundtable was held today at the headquarters of the Democratic Unity Party [PUD] on the current political situation. The roundtable, organized by PUD President Mr. Nicu Stancescu, was attended by members of the leadership of the National Union for the Victory of the Revolution, which includes 35 parties and political groups.

According to our reporter Elena (Servicu), Mr. Dumitru Mazilu [former vice president of the first postrevolution National Salvation Front Council] participated in the roundtable as a guest. In his speech, he emphasized the need for unity of all opposition forces, which he said, is the most urgent requirement of our current political situation.

### **Foreign Ministry 'Welcomes' Soviet-U.S. Treaty**

*AU0108180491 Bucharest ROMPRES in English  
1545 GMT 1 Aug 91*

[Text] Bucharest ROMPRES, 1/8/1991—The Ministry of Foreign Affairs of Romania welcomes the signing of

the Strategic Arms Reduction Treaty between the United States and the USSR showing that it can be considered truly historic owing to its content and scope.

In a statement published in Bucharest today, the Ministry of Foreign Affairs underscores the special significance of the treaty noting that, for the first time, it stipulates an effective reduction of the U.S. and Soviet strategic nuclear arms. It is important owing both to the nuclear capacity that is to be removed from the two states' arsenals and to the higher strategic stability to be set.

Moreover, the solutions agreed upon several matters which made the object of negotiations are a starting point for new accords that would be highly significant taking into account the big amounts of armament extant in nuclear stockpiles.

The Ministry of Foreign Affairs welcomes the intention of the United States and USSR to continue this process and hold further negotiations towards building up strategic stability, including the outer space and expresses its hope that their efforts will lead to reaching new substantial accords apt to back the structural changes and positive evolutions specific to the 1990s, the statement shows in conclusion.

### **European Bank Loan for Energy Sector Restructuring**

*AU0108175291 Bucharest ROMPRES in English  
1600 GMT 1 Aug 91*

[Text] Bucharest ROMPRES, 1/8/1991—A contract-framework was signed between Romania and the European Investment Bank for the granting of a first loan meant to restructuring the power sector. [sentence as received]

According to the contract, the bank will grant the autonomous power enterprise—RENEL—25 million ecus to finance the restructure of four 330-MW units, now operating on coal, in Rovinari and Turceni. Part of the loan will be used to finance a study concerning future investment in the power sector.

The project is financed in common with the World Bank and refers to the use of generators, to a more rational use of energy and the progressive reduction of air pollution.

In April 1991 the Council of the Governors of the European Investment Bank authorized a total of 700 million ecus for Bulgaria, Czechoslovakia and Romania as part of the European Community's aid programme for the introduction of the market economy in those countries.

### **EEC Grants Aid in Health, Technical Areas**

*AU0208145391 Bucharest ROMPRES in English  
0820 GMT 2 Aug 91*

[Text] Bucharest ROMPRES 2/8/1991—The European Economic Community has granted Romania 25 million dollars for the health sector and 26 million dollars for technical assistance, mainly in the power system.

This tranche is part of a 400 million dollars worth E.C. Programme meant to finance 22 economic projects in East-European countries.

### **Government Meeting Examines Flood Toll, Pensions**

*AU3107201091 Bucharest ROMPRES in English  
1838 GMT 31 Jul 91*

[Text] Bucharest ROMPRES, 31/15/1991—The meeting of the Government Executive Bureau was held under the chairmanship of Prime Minister Petre Roman on July 31.

The first part of the meeting was devoted to the analysis of the situation in Moldova following the recent floods and of the necessary measures to be taken to help the population in the affected areas.

A resolution was adopted in addition to the previously taken measures or the reconstruction of the dwellings and infrastructure in the settlements of Timis Country affected by the July earthquakes.

Taking into consideration the observations received from the institutions checking the products and services quality as well as from various citizens the Executive Bureau adopted a resolution to prevent and fight those acts endangering the life and health of both people and animals.

During the meeting the president of the Radio and Television, who was invited to the meeting of the Executive Bureau, presented the financial situation of his institution asking the executive to set new tariffs for the radio and television subscriptions.

The prime minister and the other members of the Executive Bureau decided that the Romanian Radio and Television should be financially supported as soon as possible.

Other resolutions were also approved in connection with the granting of facilities to Romanian-origin citizens living abroad who want to study in Romania.

The Executive Bureau expressed their disapproval of the publication of erroneous data in daily "ADEVARUL" in connection with the recent resolution on the pensions rise starting August 1.

### **Draft Law on Privatization**

*91BA0942A Bucharest ADEVARUL in Romanian  
16 Jul 91 p 3*

[“Text” of Draft Law on Privatization]

[Text] Romania's Parliament adopts the present law.

The present law is adopted in order to transfer state property to the private sector; it includes regulations for the distribution of property certificates, for the sale of shares or assets of state commercial companies to Romanian or foreign persons and legal entities, and for ways and means to reprivatize properties that have been nationalized or obtained forcibly by the state.

## **Chapter I**

### **General Provisions**

Article 1. The Privatization Law creates the legal framework for transferring state property to the private ownership of persons or legal entities.

To this end, the law regulates:

- a. The procedure for free distribution of property certificates to qualified Romanian citizens;
- b. Methods for privatizing commercial companies;
- c. The offer of shares or assets of commercial companies to the employees of these companies;
- d. The participation of Romanian or foreign persons or legal entities in the sale of shares or assets of commercial companies;
- e. The reprivatization of properties that have been nationalized or obtained forcibly by the state.

Article 2. The provisions of the present law apply to shareholder or limited responsibility commercial companies formed according to the provisions of Chapter III of Law No. 15/1990, as well as to commercial companies whose sole shareholder is the state formed under the provisions of Law No. 31/1990, hereafter referred to as commercial companies.

## **Chapter II**

### **Issue and Distribution of Property Certificates**

Article 3. Within 30 days from the adoption of the law, the Ministry of the Economy and Finances will inform the National Agency for Privatization of the social capital that the commercial companies stipulated in Article 2 held on 31 December 1990.

Article 4. Within 15 days after receiving the information from the Ministry of the Economy and Finances, the National Agency for Privatization will order the printing of property certificates by the National Bank of Romania Printing Office.

The property certificates, as share warrants to the bearer, have a nominal value of 5,000 lei each, and represent the equivalent of 30 percent of the social capital transferred to the private sector.

The National Bank of Romania Printing Office will make the property certificates available to the National Agency for Privatization within 90 days after receiving the Agency's order in accordance with Paragraph 1.

Article 5. Based on its own assessments, the National Agency for Privatization will establish the value of the former nationalized properties. To this end, within 15 days after the effective date of this law, the National Agency for Privatization will make available to interested parties the Standard Declaration for reclaiming nationalized properties.

In the case of nonreturnable properties, each former owner or his heirs will receive shares whose nominal



value is equal to that of the property in question, except for properties that have been or are being used for public purposes or for industrial production.

The shares are obtained on the basis of indemnification certificates issued by the National Agency for Privatization.

These shares will be awarded at the recipient's option, from the portfolio reserved as the 70 percent portion of state commercial companies.

Article 6. Within 60 days from the adoption of the present law, the Ministry of Labor and Social Protection, in collaboration with the Ministry of Internal Affairs, will communicate to the National Agency for Privatization the list of people entitled to property certificates in accordance with the provisions of the present law and of Law No. 15/1990.

Article 7. Romanian citizens receive property certificates from the National Agency for Privatization.

Property certificates are distributed with the support of local organs of public administration, respecting the conditions established by the National Agency for Privatization, on the date and at the locations announced by the latter in MONITORUL OFICIAL AL ROMANIEI and through the public information media.

Article 8. Property certificates that have not been released within 120 days from the date announced by the National Agency for Privatization are recorded as issued but not released.

Article 9. Operations concerning the use of property certificates will be completed no later than two years after the effective date of the present law.

Property certificates that have not been used by that time lose their validity.

Article 10. Within 120 days from the adoption of the present law, the commercial companies defined in Article 2 will issue shares to cover the full value of their capital.

Article 11. Property certificates are exchanged for shares of the commercial companies stipulated in Article 2, thus achieving the direct transfer of state capital to the private sphere according to the regulations stipulated by law No. 15/1990.

Article 12. Property certificates are exchanged against shares at conventional value on the schedule and in the economic areas prepared for privatization, based on a governmental program administered by the National Agency for Privatization and approved by Parliament.

Article 13. Employees, as well as members of their families, have the right and privilege to exchange property certificates against shares of the commercial companies by which they are employed.

### Chapter III

#### Privatization of Commercial Companies

Article 14. The preparation, organization, and coordination of commercial company privatization are part of the functions of the National Agency for Privatization.

At the proposal of state commercial companies and on the basis of recommendations formulated by ministries with the appropriate jurisdictions, the National Agency for Privatization selects commercial companies for privatization according to the governmental privatization program.

The National Agency for Privatization prepares the privatization share financing program in order to obtain the necessary resources from the Privatization Fund.

Article 15. Commercial companies being privatized have the right to request specialized assistance from Romanian or foreign firms on a contractual basis.

In the case of foreign firm participation, specialized assistance contracts must be awarded under competitive conditions and with the approval of the National Agency for Privatization.

Article 16. The shares of commercial companies can be sold to Romanian or foreign persons or legal entities by:

- a. Sale of shares to the public;
- b. Sale of shares by auction or bidding from preselected participants;
- c. Sale of shares by direct negotiation;
- d. Any combination of the above procedures.

Article 17. The Privatization Fund is established as an international public financial institution, a commercial and financial legal entity, with the following major obligations:

a. Manage the funds derived from the sale of shares or assets, as well as administer the credits obtained from international institutions for the purpose of financing the economic reform;

b. The funds stipulated under paragraph a will be used to restructure, reclaim, and prepare commercial companies for privatization based on the program drawn by the National Agency for Privatization under the conditions of Article 33.

c. Provide credits from available funds to Romanian persons and legal entities with private capital for purchasing shares and assets from state commercial companies.

This international public financial institution conducts its activities as an autonomous institution reporting to Parliament.

Article 18. Employees of commercial companies and their management personnel can buy shares through any of the procedures stipulated in Article 16.

Article 19. Shares of commercial companies placed on the market on the basis of public offer or bid, can be offered for sale to employees and management personnel of the respective companies under preferential conditions as follows:

a. In the case of public offers of shares, employees and management personnel will have the right, for a limited time period, to buy up to 10 percent of the shares placed on sale at 10 percent less than the price offered to the public;

b. In the case of auction sales, any employee or management personnel will have the right to a preferential purchase of shares, by offering a price that is at most 10 percent lower than the highest price offered in the auction, and by respecting the other conditions of the offer.

Under conditions equal to those of other potential buyers, the shares of commercial companies placed on sale through direct negotiation will be assigned to the employees and management personnel of the respective commercial companies.

Article 20. State commercial companies have the right to offer the following financial aid to employees who purchase shares of commercial companies:

- a. Payment at term;
- b. Payment in installments;
- c. Other aid consistent with the specific nature of the shares and the conditions of the sale.

Article 21. Public institutions, self-managed state-controlled enterprises, and commercial companies whose sole shareholder is the Romanian state, do not have the right to purchase shares of commercial companies.

Article 22. Ownership right to buildings that have been nationalized or obtained forcibly after 6 March 1945, and which have not been or are not being used for public purposes or for industrial production, is reestablished for persons, for their heirs, and for legal entities.

Ownership right is reestablished over all former church properties.

Article 23. State commercial companies have the right to sell assets that represent subsidiaries which can be organized and operated independently.

Article 24. The assets stipulated in Article 23 can be sold at public auction or by sealed bid and will be assigned to the highest bidder.

Article 25. The assets of commercial companies can be bought by Romanian or foreign persons or legal entities in accordance with the provisions of this law.

Article 26. Public institutions, self-managed state-controlled enterprises, and commercial companies whose sole shareholder is the Romanian state, do not have the right to purchase assets under the conditions of the present law.

Article 27. The sale of assets of commercial companies through public auction or sealed bid will respect the legal provisions and procedures formulated by the National Agency for Privatization within 30 days from the adoption of the present law and approval by government decision. The procedures will be published in MONITORUL OFICIAL AL ROMANIEI.

Article 28. Assets of commercial companies sold in accordance with Article 24 can be purchased by employees and management personnel of the selling companies.

Employees and management personnel of selling commercial companies are given precedence when they offer purchasing terms equal to those of other participants.

Article 29. Selling commercial companies can offer the following aid to employees and management personnel who purchase their companies' assets:

- a. Payment at term;
- b. Payment in installments;
- c. Other aid consistent with the specific nature of the assets.

Article 30. The sale of assets of commercial companies will be considered final on the date the contract of sale is closed under legal conditions.

Article 31. If other contracts exist that grant the use of sold assets of commercial companies to other persons or legal entities, these contracts retain their validity.

#### Chapter IV

##### Functions of the National Agency for Privatization

Article 32. The National Agency for Privatization is the government agency responsible for coordinating, directing, and controlling the privatization process.

Article 33. The National Agency for Privatization has the following primary functions:

- a. Formulates the privatization strategy together with the appropriate jurisdiction ministries and with other governmental or nongovernmental agencies;
- b. Proposes for approval draft laws or regulations regarding privatization;
- c. Formulates procedures for selling shares and assets of state commercial companies;
- d. Establishes conditions for issuing property certificates and takes steps to distribute them;
- e. Under the conditions stipulated in Article 5, issues indemnification certificates in order to obtain, through exchange, the shares due to former owners or their heirs;
- f. Approves the closing of specialized privatization assistance contracts between state commercial companies and foreign firms;
- g. Assures specialized assistance to commercial companies involved in the privatization process;

h. Presents an annual report to the government regarding the status of privatization activities;

i. Establishes authentication documents on the basis of standard declarations, and establishes the value of former nationalized properties on the basis of its own assessments;

j. Fulfills any other functions stipulated by law for privatization.

## Chapter V

### Penalties

Article 34. The following acts violate privatization regulations, unless they are committed in such a way as to constitute infringements under penal law:

a. Using property certificates in another way and for another purpose than the one established by the present law;

b. Closing specialized privatization assistance contracts with foreign firms without approval from the National Agency for Privatization;

c. Disclosure on the part of employees of the National Agency for Privatization and of any other person with functions in the privatization process, of any information that is not intended for publication in connection with the sale of shares or assets of commercial companies.

Article 35. The violations stipulated in Article 34 of the present law are penalized as follows:

a. The violation stipulated under paragraph a, with a fine of 50 to 100 thousand lei;

b. The violation stipulated under paragraph b, with a fine of 100 to 150 thousand lei;

c. The violation stipulated under paragraph c, with a fine of 150 to 250 thousand lei.

Article 36. Violations are verified, and penalties are applied by the secretary of state for privatization, by police commissioners, and by the mayor general of the Bucharest municipality, or by persons specially empowered by them.

Article 37. The violations stipulated by the present law fall under the provisions of Law No. 32/1968 regarding the verification and penalization of violations.

## Chapter VI

### Final Provisions

Article 38. Commercial companies formed from self-managed state-controlled enterprises, are subject to privatization under the present law.

Article 39. Foreign persons or legal entities can participate, under the conditions of the present law, in the purchase of shares or assets of commercial companies without the need to first register with the Romanian Agency for Development.

When foreign persons or legal entities buy shares or assets of commercial companies under the conditions of the present law, the Romanian Agency for Development must issue to the investors the certificates stipulated in Article 24 of Law No. 35/1991.

Article 40. The provisions of the present law also apply to the sale of equity in limited responsibility commercial companies.

Article 41. Within 120 days from the effective date of the present law, the goods and buildings of all sorts of cooperatives are privatized in accordance with decisions of the general assemblies of the cooperatives' members.

Article 42. The present law becomes effective within 30 days after its publication in MONITORUL OFICIAL AL ROMANIEI.

On the date the present law becomes effective, Article 23, paragraphs 5 and 8 of Law No. 15/1990 regarding the Reorganization of State Economic Units as Self-Managed State-Controlled Enterprises and Commercial Companies, is revoked.

### Policy Failures of Serbs in Croatia

91BA0960A Zagreb DANAS in Serbo-Croatian  
23 Jul 91 pp 20-22

[Interview with Dr. Milorad Pupovac, Zagreb University professor and president of the League of Social Democrats, by Zoran Daskalovic; place and date not given: "Three Serbian Mistakes"]

[Text] Immediately after the election, Franjo Tudjman and the Croatian supreme command, having attempted to reincarnate the historical experience of the Croat-Serb coalition, went looking for a latter-day Svetoazar Pribicevic among politicians from the ranks of the Serbs in Croatia. At this point, before the talks on the Lipik initiative, we called upon Dr. Milorad Pupovac for his opinion on the attempts made in the past to establish a Croat-Serb coalition and to promote a new Pribicevic. He is one of the initiators of the establishment of the Serbian Democratic Forum, a professor at Zagreb University, the president of the League of Social Democrats, and he is now taking part for the third time in initiatives aimed at negotiations and avoiding the worst in a peaceful manner.

[Pupovac] At one point, I do not know on whose advice and on the basis of what instructions, Mr. Tudjman began looking for his Pribicevic; but in a bad time and in the wrong way. He was looking for him at a time when the ethnic movements in Yugoslavia were on the rise, movements that mostly were aimed at statehood, including his own, and all the nationalities were looking to them in pursuit of their particular interests.

In that kind of situation, as the Yugoslav state was coming apart, when there was no central authority that could oppose any kind of Croat-Serb coalition or any other coalition on an ethnic basis, it was an illusion to expect to find his Pribicevic, because in the Serbian ranks that was perceived under those conditions as a capitulation. But I am afraid that the readiness for the ways of a Pribicevic, not in pure form and certainly not in their entirety, which existed within Serbian politics in Croatia, was doomed by those who were seeking Pribicevic themselves, by the same people who recommended such a policy. That is, at that time Mr. Raskovic, who certainly has won such note and won such readiness within his political stance, was both defamed and denounced in the ranks of his own nationality and cast out of the Croatian Assembly by a side door and out of the building onto Radic Square. And that certainly cannot be described as confirmation that the Serbs in Croatia are ready for a sincere and complete coalition between the Croat and Serb nationalities. Attempts to bring that about later, through certain groups of intellectuals in the debate over cultural autonomy certainly, had no prospects. Likewise, the attempt to create their own Pribicevic in the person of the representative of the Serbian People's Party in Croatia was also a great self-deception. Thus, the search for a Pribicevic was altogether inappropriate, and no one, of course, can dictate when that Pribicevic will come along. He will

spring up from the Serbian nationality in Croatia on his own, he will arise when Croat-Serb relations in Yugoslavia are such that the Serbian nationality in Croatia feels that it has to begin to conduct a policy which would be described as Pribicevician in historical terms.

[Daskalovic] At the very least, Serbian policy in Croatia has also been mistaken up to now. In your opinion what are its principal mistakes?

[Pupovac] The policy of the Serbs in Croatia up to now, both the one before and especially this one after the multiparty elections, contained three fundamental mistakes in my opinion. First, the Serbs in Croatia identified themselves unreservedly with Yugoslavia and thereby lost sight of the fact that the Croats with whom they live have great reservation about identifying themselves with Yugoslavia, and they perceive the Serbs in Croatia as pulling them into Yugoslavia, like some dangerous link. The Serbs in Croatia have not been receptive enough, at least so far, to those differing interests, their own and those of the Croats. By the same token, the new Croatian policy has not been appreciative of that interest of the Serbs in Croatia. The second important mistake of the Serbs in Croatia is their expectation concerning the YPA [Yugoslav People's Army] and their being bound in a way to the YPA. They feel that historically, and not only historically, but also personally, they are to a large extent the creators of the YPA and the creators of its rule in Yugoslavia, and when they count and rely on the YPA as a big brother, the Croats rightly get the impression that that big brother for the Serbs is actually a bad brother for the Croats. The Serbs in Croatia have never shown any understanding for that state of mind on the part of the Croats. Even today the Croats have no understanding for Serbian fears of republic armies. In the end, the Serbs very quickly shifted from democratic methods and resorted to undemocratic methods. For their part, the Croats resorted to a unitary display of their ethnic majority. If these mistakes are corrected, then the Serbs and the Croats are on their way.

[Daskalovic] Was correction of those mistakes the motive behind establishing the Serbian Democratic Forum? That is, who initiated holding the meeting of Serbian intellectuals in Lipik, and what were their motives?

[Pupovac] The initiative for holding the meeting in Lipik came from several groups and several individuals. They all had in common the desire to form the basis for a possible policy of the Serbian nationality in Croatia, that is, to shape a possible political platform of the Serbian nationality in Croatia which would be the basis for its moving from the phase of nonpolitical activity, from the phase of a more or less organized force, as a way of demonstrating its will, to a phase of political democratic struggle for the interests and rights of the Serbian nationality in Croatia. The second reason was that any further escalation of the conflict and the war could jeopardize any chance for democratic agreement between the Croat and Serbian nationalities in Croatia. War, that is, could ruin once and for all the possibility of the Serb and Croat

nationalities in Croatia agreeing on what kind of political constitution of Croatia is possible and what relationship Croatia should have toward the other Yugoslav republics. Once they realized the extent of that danger, people decided to do everything to halt the escalation of death, hatred, and conflict.

[Daskalovic] In preparing the meeting, did you consult all the political parties whose individual members were at Lipik, and did they concur in that initiative?

[Pupovac] All the political parties whose representatives took part in the meeting in Lipik were consulted and gave their consent to its being held. That applies to the SDS [Serbian Democratic Party], the League of Social Democrats, and local opstina authorities whose representatives were present at that meeting. The other political parties, unfortunately, did not send important representatives to that meeting, and in that respect they were not consulted. So, as far as consultation of political parties and their consent, that was done, and there was no possibility nor prospect of obstruction in that respect. But if you were referring to the split that exists within the SDS and to possible obstruction of the Krajina SDS, in a certain sense it is possible and it has already been manifested. However, that is a conflict which cannot hinder us in our principal activity. That is a conflict which has been going on for quite a long time already and is older than that meeting, and I hope that this meeting will help to put an end to it as soon as possible.

[Daskalovic] On the eve of the meeting, you also talked with representatives of the Croatian government. What agreement did you reach with them?

[Pupovac] We had an advance meeting in Belgrade and in general there were a great many preparatory meetings. Two things were agreed at the meeting in Belgrade. First, to form a preliminary negotiating team, and second, to hold a broad meeting of representatives and members of the Serbian nationality in Croatia who would state their views on the present position of their nationality and on its present and possible policy. It was supposed to be held in Karlovac, but for security reasons was called off, and we went to Lipik. The preliminary negotiating team, which included Veljko Dzakula, president of the regional SDS for Slavonia, Sergej Veselinovic, president of Obrovac Opstina, and myself, held a meeting—a meeting about which disinformation and wrong interpretations are now being circulated in certain circles by Dr. Zarko Domljan, president of the Croatian Assembly, and some other government people. The purpose was to prepare a possible meeting of the preliminary negotiating team, and it was agreed at that meeting that hostilities should be terminated, that the war propaganda campaign should be ended, and that conditions should be defined for releasing those who were captured and arrested. Both sides, then, were attempting in this way to scout the terrain, we were attempting to see who was ready for what. That preparatory and preliminary negotiating team was ordered to make contact and

prepare possible talks that could take place when at least the first of those requirements was realized in some form.

[Daskalovic] The government representatives have frequently emphasized in public that they will not talk with those Serbs and representatives of the various parties who have participated in terrorist activities. Have they definitely drawn a line in that sense?

[Pupovac] Something was said along those lines. However, we let it be known to the government representatives that the negotiating team must be competent in both senses. It must be able to properly advocate, argue, and defend its views, but also competent in the sense of later being able to implement what has been agreed to with its own nationality within its opstinas and regions. When it comes to the second aspect of competence, we cannot be restrictive, and we cannot exclude in any way people who entered into a conflict at some point because of the unfortunate set of circumstances and perhaps even themselves participated in that conflict, but people who at this point have the undivided support of their own nationality. If we were to agree to that, the people would rightly judge that we were attempting to throw out of the game those who until yesterday were with them and are attempting to bring to the fore someone with whom they have had no direct contacts. We will not consent to lines being drawn as to those who can be members of the negotiating team, except for those people of whom it can quite decidedly be asserted that under the given circumstances they did something for which they are accountable under explicit statutes. But let us not be mistaken even about that, because there is a war going on here, there is a conflict here which to a great extent has suspended explicit statutes, and if we were to be rigid and attempted to behave in a legalistic way, I am afraid that we would make the negotiations much more difficult and that we could not anticipate from them what we otherwise do expect.

[Daskalovic] Immediately after the meeting in Lipik, the youth of the HDZ [Croatian Democratic Community] reacted, it is uncertain whether in its own name or in the name of the party as a whole, with the position that there is no place for Academician Raskovic in the negotiations. Does that frustrate the negotiations right at the outset?

[Pupovac] I do not know what weight to give to the statement of the HDZ youth, and I do not know to what extent that is the position of the entire party, but I think that that position, if it is the position of the party and of the other side in the negotiations, would definitely make the negotiations impossible. If we stoop to the logic of saying that Mr. Raskovic is guilty, that Mr. Zelembaba is guilty, that Mr. Opacic is guilty, and so on, then we would arrive at the same picture that prevails within a sizable segment of the Serbian nationality—that Mr. Tudjman is guilty, that Mr. Djodan is guilty, that Mr. Seks is guilty, that Mr. Domljan is guilty, and so on. We cannot support that logic in our own people, nor can we support it on the part of representatives of the Croat

people. We believe that today there are few politicians in Croatia and Yugoslavia who in their acts and political activity have not contributed to the occurrence of this conflict that has come about, and we feel that all those who want to halt this conflict are more than welcome. To tell the truth, we cannot and will not be able to even do this job properly without Mr. Raskovic, and that is why such assessments, qualifications, and conditions cannot be acceptable on our side. Regardless of the political differences that exist within this group and regardless of what any of us might think about the political activity, political convictions, or political past of any one of us.

[Daskalovic] You describe the meeting in Lipik as successful. Does this mean that you have defined the basic premises for the negotiations?

[Pupovac] The basic premise for the negotiations is that the two sides taking part in the conflict recognize each other. In other words, both sides have to recognize one another as political entities and recognize each other's political demands and see how it is possible to reconcile them by political means. As far as the Serbian side is concerned, it has only one fundamental point of departure: that the Serbian nationality in Croatia be treated as a partner in the constitutional arrangements of the Republic of Croatia and as a partner in the debate over resolving the crisis of the Yugoslav state. Up to now, unfortunately, the attempt has been made in Croatia to arrive at constitutional arrangement by the majority principle, by the principle of the dictate of the majority, and it is this that has aroused all the resentment on the part of the Serbs. Only on the basis of an agreement, only on the basis of consensus, which is a lasting characteristic of Croat-Serb relations in Croatia, and it is that that is inevitable at this moment, will it be possible to bring about the conditions for making peace and for political talks.

[Daskalovic] When it comes to resolving constitutional issues in Croatia, what is it that the Serbian side seeks as a minimum in the negotiations?

[Pupovac] We did not deal with that specifically in Lipik, and that will be a subject of debate in one of the coming meetings. At Lipik, we insisted first of all on halting hostilities. The negotiating team would have to bring about the following goals: first, to halt all hostilities and to bring about peaceful conditions in the regions of Banija, Kordun, Slavonia, and Baranja, and guarantee the return of all refugees, Serb and Croat; second, to see that all transportation routes, all roads, all communications be secured by the local and republic authorities and within that context that local majorities protect their own local minorities, that the Serbs protect the Croats where the Serbs are the majority and that the Croats protect the Serbs where Croats are the majority; third, an end to the propaganda campaign in the media and demonization of the Serbian nationality and its representatives; and fourth, all those captured and arrested have to be released and there must be no further arrests of the kind where very frequently people are arrested just with a view to possible substitutions, exchanges, and so

on. When those goals are realized, either mostly or entirely, it is possible to begin political talks. That is, first peace, peaceful conditions, and then political talks.

As to what they should consist of, I can only tell you my personal opinion. First, I think that the Serbian nationality in Croatia should be accepted as a political entity in the debate over the arrangement of Croatia and over Croatia's relations toward the other parts of Yugoslavia. Second, that that debate must be conducted in such manner that the result is arrived at by consensus. Third, in the talks with representatives of the government we will seek territorial and political autonomy for the Serbs in Croatia in those areas in which they represent some kind of local majority. And fourth, we will conduct a debate concerning the content and scope of cultural autonomy for Serbs in Croatia, but that content and scope will not depend on us alone. It will also depend on the extent to which the present representatives of the government in Croatia distance Croat culture from the culture of the other nationalities in Yugoslavia, that of the Serbian nationality in particular. The point of departure for the talks, for the realization of those prerequisites, are the three fundamental interests of the Serbian nationality in Croatia: that they live with everyone in peace and harmony, that they remain a part of the unified ethnic and culturological body of the Serbian nationality in Yugoslavia, and that they preserve their ethnic and culturological identity in Croatia. These agreements, assuming the prerequisites I have already mentioned, would be realized on that basis. They certainly will not be easy in all their elements, but do not forget that it is in the interest of the Serbian people in Croatia to conduct a specific policy on the basis of those agreements.

[Daskalovic] In seeking territorial and political autonomy, you are committing yourself to solving the Serbian issue within the limits of the Croatian state, by contrast with the positions of the SDS in Krajina, whose view is that there can be talks with representatives of the Croatian Government only about borders between Croatia and the so-called SAO [Serbian Autonomous Oblast] Krajina.

[Pupovac] I do not know what they really hope to achieve with the positions which you mention in connection with Knin, but one thing has been clear to me, not since yesterday, but as long as I have been concerned with this matter: that the Serbs in Croatia cannot leave Croatia and likewise that Croatia cannot leave Yugoslavia without consent of the Serbs in Croatia. That is a conditionality that sometimes is dramatically incomprehensible in the ranks of both the Croat and the Serbian nationalities, but it is certainly a fact that allows no other resolution than that the Serbs in Croatia take part in defining what is today referred to as the sovereignty of the Republic of Croatia. I think that at this point the best way of defining that sovereignty in the true sense of the word is by means of territorial and political autonomy of the regions in which the Serbs are the majority population. Everything else, that is, only cultural autonomy or

a possible secession of the Serbs in Croatia, is impossible. This is the middle road to which those extreme solutions that led to the conflict must come: On the one hand, a kind of Serbian separatism in Croatia, and on the other a kind of Croat unitarism in Croatia, must come together at the point of territorial and political autonomy.

[Daskalovic] Up to now, the most the representatives of the Croatian government have offered in negotiations with the Serbs has been cultural autonomy. Has there been any change in their views concerning political and territorial autonomy?

[Pupovac] From the moment when they offered cultural autonomy to the Serbs in Croatia it was clear to me that the Serbs in Croatia would not accept. And the main dispute that broke out between the new government and the Serbs in Croatia is political in nature and is located in the domain of politics, not culture. The Serbs want to be a political entity in the debates which I mentioned. It seems to me on the basis of certain indications and on the basis of certain public statements, some incidentally by President Tudjman himself, that there is a readiness to accept territorial and political autonomy for the Serbs in Croatia. After all, otherwise it is not possible to stabilize political conditions in Croatia at all, and I believe that in the top leadership of Croatia there are enough responsible people who are aware that that stability needs to be achieved precisely along the lines of decentralization of Croatia, that it cease to be a unitary state, which is what it is under the present constitution, and the willingness to grant the Serbs a certain territorial and political autonomy, which will probably also entail strong regional autonomy for other regions within Croatia. There are strong indications in this respect, and if it were not for them I do not think this team would have anything to hope for from these talks.

[Daskalovic] Many people in Croatia, including people in the government, are convinced that the policy of the Serbs in Croatia, particularly the policy being realized in Kninska Krajina, is firmly bound up with the authorities in Serbia and agreed to and will not be subject to change unless those authorities agree. Have you also established contacts with the authorities in Serbia?

[Pupovac] There have been no specific talks with representatives of the government in Serbia as yet, but we hope that there will be, because we would like to make it known to the authorities in Serbia that their policy has to be reconciled with our policy here and that elements of the specific nature of the policy of Serbs in Croatia have to be respected for their part as well. That is, not only on the Croat side, but also on the Serbian side, and that if they cannot help us, then it is indispensable that they not make considerable difficulties for us with those people who are their fervent followers here in Croatia. We have attempted to establish contacts, and up to now they have been more informal in nature, but we hope that they will soon become formal, because it is clear to us that the orientation of the Serbian nationality in Croatia—especially in certain areas—toward Serbia must not be

an occasion for weakening this current and this orientation which we have now created. Talks with certain groupings outside the government have also been encouraging us, and we believe that this group will soon do the following: that it will have contacts with the highest representatives of the Serbian government, and we hope that it will have an opportunity to speak in the Serbian parliament in order to make the case for its political goals and show that it wants to create a type of policy which will take into account the entirety of Serbian national interests in Yugoslavia, but also the place of the Serbs in the Republic of Croatia and their participation in the constitutional arrangement of the Republic of Croatia, which is precisely what has been lacking and which is exactly what does not exist in Serbian policy in Croatia.

#### **Croatian Government Adopts Law on Full Powers** *LD0308153491 Belgrade TANJUG Domestic Service* *in Serbo-Croatian 1422 GMT 3 Aug 91*

[Text] Zagreb, 3 Aug (TANJUG)—The Croatian Government today adopted, as a matter of urgency, a new law that vests the republican government with full powers. "In case the Assembly of the Republic of Croatia is not convened or cannot be convened in full, the government will be able to regulate issues in economic and public spheres as well as other issues under the Assembly's jurisdiction," it is said in explanation of the new law.

In keeping with the Constitution, the government will not be able to regulate relations concerning freedoms and rights of the citizens, national rights, the electoral system, or the structure, scope, and methods of work of state bodies and local self-government.

According to the new law, which has only three articles, the government will take over the Assembly's duties either over the next year or until the first regular session of the Assembly is convened.

#### **Situation in Republic of Macedonia Analyzed** *91BA0963B Belgrade NEDELJNA BORBA* *(supplement) in Serbo-Croatian 27-28 Jul 91 pp 4-5*

[Article by Djordji Spasov: "Shadows of Madam Minister: Will the Macedonian Government Fall?"—first paragraph is NEDELJNA BORBA introduction]

[Text] Analysts contend that peace in Macedonia depends on the answer to three questions: What lies behind the attempts to overturn the government, will the concept of a peaceful settlement of interethnic conflict succeed, and is it possible through prudent policy to ensure the level of sovereignty that other republics are trying to achieve at all costs?

The young democracy of Macedonia, as it is indulgently referred to, is currently faced with much greater troubles than those involved with resolving the problems of the "high-ranking guests" in this oasis of peace on Lake Ohrid.



Knowledgeable analysts from Macedonia contend that further peace here depends on the answer to the following three questions: First, what lies behind the attempts to overturn the Macedonian government by individual parties and the alleged readiness to hold new elections in the short term?

Second, will Macedonia succeed in realizing its concept of a peaceful settlement of interethnic conflict in the republic and in ensuring peaceful coexistence for citizens of all nationalities? And third, can Macedonia, through peace and a prudent policy, ensure for itself the same level of sovereignty that other republics are trying to achieve through war?

Macedonia's government of experts has been raised as a point of discussion because of a recent document prepared by them and a draft resolution. The document is entitled, "Program of the Government," and the resolution relates to recognition of the right of Albanians to have educational records, students' textbooks, and diplomas at Albanian-language schools written in the Macedonian and Albanian languages, which at least in the past has been a condition for PDP [Party of Democratic Prosperity of Macedonia] and NDP [People's Democratic Party] delegates returning to their seats in the Macedonian Assembly.

The Program of the Government—about which everyone familiar with the material, regardless of their party labelings, has said that it looks more like a document of the type "Directions of Development..." and that it is more some sort of ideological document than a program document that would indicate what, when, how, with whom, and with what—expresses numerous ideological assessments and addresses threats to the government from party gatherings. Thus, in this program the leadership of the VMRO-DPMNE [Internal Macedonian Revolutionary Organization-Democratic Party of Macedonian National Unity] recognized "the copying of the FEC [Federal Executive Council] program and the major influence being exerted by other parties," which in their assessment suspends this government as an expert one, and not only releases them from responsibility for its work, but also with respect to the program obligates them to state in parliament that it does not enjoy their further support.

Reformists in the Liberal Party of Macedonia, as it is now called, held a meeting of economists concerning the government's program, and after noting that they can accept this program only as a working plan (and an orientational one at that), they also put forth the opinion that the government is not acting in an expert fashion, but more as an "unfortunately thrown together" coalition, in which they do not have their own representatives, so that responsibility for its work is borne least of all by them, and that their support for the government is very conditional, although the aforementioned program can be worked on and improved upon.

The Social Democratic Alliance of Macedonia, as the second-strongest party in the republican assembly, has

put forth an assessment of the government's program that is very similar to that of the reformists, but it reacted vehemently to the DPMNE assessment that other parties are exerting influence on the government and its program. In its statement, the party pointed out to the public that it is precisely the VMRO-DPMNE that is exerting critical influence on numerous ministers in the government, and especially on the minister of education, whose wife is a leading deputy of that party in parliament, as well as on the minister of justice, whose son is on the party's executive committee and who participated in the negotiations concerning the division of power, and finally on the government's minister for internal affairs, who has already initiated massive personnel changes in this sector by appointing exclusively militant VMRO activists to key positions. Moreover, the Social Democratic Alliance let it be known that it too is dissatisfied with government policy, but that it would be more important at this time to make the government qualified for its job through reconstruction than to keep Macedonia in a state of constant instability through small putsches at a propitious moment while seeking opportunities for one's own party interests amidst the chaos.

Since it can be expected that the parties of the Albanians in parliament, the PDP and NDP, will be interested in seeing the government fall—because of the census, the problem of the establishment of rule in opstinas where the Albanian population is in the majority, and especially after their statements to the effect that they are not satisfied even with the latest government proposal on language equality—it is in fact possible that the Macedonian government will fall and that quickly after its certain failure in putting together a new one, Macedonia, like Bulgaria and Albania, will face new elections.

For now, this is still the indication from assertions by several ministers to the effect that the government has no intention of improving on its program, and that if it is not accepted then this means that it will resign; but it is also indicated by the publicly expressed feeling of certain parties such as the VMRO-DPMNE that in this situation—with a gain in propaganda power based on the threat felt by Macedonians from "Albanians, Serbian Chetniks, and domestic traitors"—they might even have a greater chance in elections than they did during their first try. In any event, they are being helped by the recent resignation of Minister of Education Dimitar Dimitrov due to his disagreement with the government proposal on introducing bilingualism to educational records in existing Albanian-language schools, and thus by the wave of anti-Albanian bias that arose on the basis of this draft resolution and that is being further stimulated, but also on the basis of the conscious provocation of such bias by militant representatives of the Albanian parties. Included in this are the threat by Seselj's Chetniks in Macedonia and the jockeying over the Prohor Pcinjski monastery which is once again emerging on the eve of the St. Elias' Day celebrations.

Still, behind this "ideological skirmishing between parties behind the government's back," as Nikola Kljusev



described the intellectual situation in Macedonia, there are probably deeper reasons and even greater dangers than those anticipated.

In contrast to the assertions of its leaders to the effect "that everything is transpiring in Macedonia like they want, only with a certain lag," the VMRO-DPMNE is apparently dissatisfied with the "flippantly promised" speed with which certain processes are unfolding. It is dissatisfied that Macedonia has not already "disassociated" from Yugoslavia, that the YPA [Yugoslav People's Army] has not been chased out of Macedonia even though Macedonian soldiers have gone home, that a Macedonian armed force has not been created under the command of the Macedonian government, and that political concessions towards Albanians in Macedonia are being "extended."

Concerning all this, they are already issuing public announcements to the effect that they do not blame the government, but rather first and foremost Kiro Gligorov, who is hampering their plans. Because of this, based on their current assessments, it would probably be a good thing to provoke a government crisis at a propitious moment, which would lead to new elections and the opportunity to fully match and harmonize Macedonian policy with the policy of Slovenia in terms of Macedonian secession and with Serbian policy in terms of relations towards Albanians in Macedonia.

Because they can provoke this, ironically, in cooperation with the Albanian parties—the PDP and NDP—albeit each for its own reasons, just as they voted together for disassociation, against Gligorov's election during the first round, etc., the other parties in parliament who occupy scarcely half of the seats are thrown into a natural coalition in order to preserve a peaceful solution to the crisis and are forced into a situation of defending the government.

Nevertheless, in pursuit of provoking chaos the government could be overturned in at least three ways:

First, with respect to the draft resolution on bilingualism, which is unsatisfactory only to extremists of the nationally opposing parties, a "mini-antibureaucratic revolution" could be organized in Macedonia, which in the name of defending "holy national goals" could be conducted jointly by both VMRO parties, other parties from the "national salvation front," and conceivably the LC [League of Communists]-Movement for Yugoslavia, which has always held identical positions with them on this question.

Second, if these parties agree with the deputies from the Albanian parties to demand a vote of confidence in the government and each for its own reasons (with the help of interested individuals from third parties) votes to overturn the government and destabilize Macedonia.

And third, if under pressure from the "national mood" these parties exert influence on a few more ministers in the government to submit their resignations in order to achieve the desired goal. Moreover, these forces are

aware that there is no longer any doubt that the Macedonian state is hindering Albanian extremists (if not the entire Albanian parliamentary caucus as well) in their efforts to realize the right of the Albanian nation to self-determination, all the way up to secession, which they are already openly insisting on, given the already "obvious disintegration of Yugoslavia"; they also figure that regardless of the chaos, it would be good for this government not to be identified with them, because if not for other reasons, it will certainly be in an existential crisis due to pressure from the economic collapse and social tensions in Macedonia that are expected as early as late summer.

The restraint exhibited by extremists in such a situation is becoming very uncertain, and the army would be of very little use here as well. Especially because it has already acknowledged its capitulation in Slovenia, because it has disrupted its national composition, and because in many people's opinion there is still no strong guarantee that other republics in Yugoslavia will be able to realize the same level of sovereignty as Slovenia without war.

To be sure, the government of Macedonia is not in an entirely hopeless situation. It will no doubt receive the support of a large number of citizens of Macedonia; it has nevertheless, after a long period of indecision, mustered up more courage than the individual democratic or pseudo-democratic parties in this republic in undertaking a democratic resolution to problems in inter-ethnic relations, offering a resolution on keeping educational records in Albanian and Macedonian, which simply righted an injustice from the period of the prewar regime. In any case, it will also receive support for its project concerning a very democratic constitution, which is already a subject of political discussion, and for gradually putting certain abandoned or written-off economic enterprises in Macedonia into operation, but especially because it has taken into account the importance of peace to the resolution of all problems.

For now, moreover, it is in a very weak position in the propaganda depiction of its work; all in all, it is not always holding up to pressures from individual parties, even when they are on an extremely unprincipled basis, which could provide justification for the execution of certain changes in the government while indicating a trend, as in all newly formed governments in the Yugoslav republics, towards a vigorous reintroduction of statism, which is apparent in the neglect shown towards the opinions of numerous experts in various areas when adopting laws, even in questions that affect the situation of the entire fields in which they work.

Its position, however, will depend on relations between forces of war and peace in Macedonia, on relations between the forces of a "forced outcome" and of prudent negotiations with all factors in Macedonia's future situation, and on relations between forces in Yugoslavia that hope to provoke a crisis in Macedonia in order to facilitate the imposition of a solution on it or that are counting on their reserve republic or homeland and

those who are aware that with the act of recognizing its sovereignty, Macedonia will by necessity begin talks on preserving and promoting all those relations that were created over the course of coexistence with other Yugoslav nations and republics, and that dreams of creating great national states will by necessity lead to war that will bring great suffering to everyone in this area. Perhaps it is up to them to initiate a major summit to maintain peace in Macedonia....

#### **Bosnia-Herzegovina Ministry on Mobilization**

*AU0308204391 Sarajevo Radio Sarajevo Network in Serbo-Croatian 1700 GMT 3 Aug 91*

[Announcement by the Ministry of National Defense of Bosnia-Herzegovina issued 3 Aug]

[Text] The Ministry of National Defense of Bosnia-Herzegovina has been informed that in the past two days individual commanders of the units of the Yugoslav People's Army [YPA] are making arbitrary steps of (?mobilization), ignoring the standard procedure and without (?authorization) by competent organs, the SFRY Presidency and the Federal Secretariat for National Defense.

This is particularly [word indistinct] in a YPA unit which is being formed in Han Pijesak and is (?being recruited) from several communes. (?Demands) to summon draftees have been submitted by individual YPA units located in [name of place indistinct] and Rajlovac.

The Ministry of National Defense warns communal secretariats for national defense that they are obliged to strictly comply with the standard procedure of summoning military draftees. The ministry [word indistinct] that according to the standard procedure, an order on mobilization is conveyed from the Ministry to communal secretariats for national defense. In the case of military training, summons must be given to military conscripts within a term established by law.

#### **Sarajevo TV Forced To Transmit Belgrade TV**

*LD0208174391 Belgrade TANJUG Domestic Service in Serbo-Croatian 1407 GMT 2 Aug 91*

[Excerpt] Sarajevo, 2 Aug (TANJUG)—Sarajevo Television today informed the public that a group of armed individuals, headed by official representatives of the community of municipalities of Bosanska Krajina, seized the Sarajevo Television transmitter on Mount Kozara. At the same time, they called for broadcasting of Sarajevo Television programs on the second channel to be replaced with Belgrade television satellite programs, starting at 1920. This, as Sarajevo Television stressed, represents an implementation of the policy of this community of municipalities, which announced through official calls its refusal to pay the television license. [passage omitted]

#### **Peace Movements, Protests Growing**

*LD0408202291 Belgrade TANJUG in English 1715 GMT 4 Aug 91*

[Text] Belgrade, August 4 (TANJUG)—The Yugoslav Citizens' Action for Peace Movement (GAMA) today said that groups for peace, composed of members of different political parties, had been set up in the parliaments of the republics of Serbia and Croatia.

GAMA has recently launched an initiative for forming parliamentary groups for peace in the six Yugoslav republics to oppose all decisions by political factors and institutions of power which might spread the conflict in the country.

Croatia, which on June 25 announced its unilateral decision to secede from Yugoslavia, has been the scene of armed clashes between the republican armed forces and Croatian Serbs who wish to remain in Yugoslavia.

Fear from an immediate danger of war has given rise to the creation of various peace organizations, groups and movements throughout Yugoslavia. Several peace protests have also been held, the biggest one being in Sarajevo, the capital of the Republic of Bosnia-Herzegovina, attended by 50,000 people.

Peace rallies were held today in several towns in the region of Bosnia Krajina with a predominantly Serbian population.

Several thousand participants in the rallies in Banjaluka, Derventa, Bosanski Novi, Kljuc and Prijedor appealed for an end to all armed actions in the country.

#### **Slovene Opposition Scores Economic Policy**

*91BA0950A Ljubljana NEODVISNI DNEVNIK in Slovene 23 Jul 91 p 4*

[Interview with Emil Milan Pintar, Slovene opposition's shadow prime minister, by Alenka Brezovic; place and date not given: "Months of Economic War"]

[Text] Ljubljana, 23 Jul—The worst military pressure is already behind us, and the consequences of the aggression are known and approximately estimated, and thus we really can no longer settle on an enemy who would keep us from dealing with the economy seriously. The military mobilization is to be followed by the necessary economic mobilization, which will only be possible when the government's short-term and long-term measures are known and clear. Even this month, all three chambers of the Slovene Assembly will discuss the government's measures (the Chamber of Associated Labor as early as today). Even before this, we asked shadow prime minister Emil Milan Pintar how the Slovene economy should be dealt with during the three months before further implementation of the state's sovereignty.

[Brezovic] The opposition has the advantage of being able to criticize the government constantly. Let us take a more difficult course: Where is our economy, where is it sailing to, and how can it escape a shipwreck?

[Pintar] We are entering the three-month period with three great illusions that are extremely dangerous since we can adopt completely wrong decisions on the basis of them. We must therefore get rid of them as soon as possible.

The first illusion is the idea that Europe is acting here as a fair mediator and arbitrator in the dispute between the federalists and Slovene sovereignty and autonomy. At this time Europe is actually acting on two levels: as a mission of observers who are supposed to consolidate the cease-fire and give us an interval of peace; and through the most eminent positions (the Presidency, the governments of the European states, and ministries), with the goal of ensuring the realization of its basic interest. That basic interest is peace in Europe and on its borders and the security of its citizens, not only within those borders, but also within the broader area. In ensuring that peace, Europe is not interested in the justice of relations between Slovenia and Yugoslavia and decent treatment of the Slovene people as one of the smallest peoples in Europe, but on the contrary, it wants to implement its demand for peace. It is therefore prepared to retreat from all these values and even trample over them, if its calculations showed that this is the most economical way to achieve a more lasting peace. It is not advocating the principle of self-determination because of moral reasons, but rather economic ones.

The second illusion that we have to cast aside is that the moratorium is returning us to Yugoslavia in the old meaning of the word. Kucan's words, that after this war nothing will be the way it was before, do not apply just to Slovenia, but even more to the federal structure itself, which is represented by Markovic (the Federal administration), Kadijevic (the Federal Army), and Loncar (Federal diplomacy), and also to the events in Serbia, Croatia, Bosnia, and Macedonia.

If we just dwell on the problems of the federals, it is clear that this fragile peace means a respite during which the Federal structures will organize and reorganize themselves to achieve their goal: preservation of a whole and unitary Yugoslavia. For those purposes, Markovic will want, above all, to crush the Slovene economy, and consequently those three months will be months of economic war. Of course, that war will also take place through all the diplomatic extensions of ill-famed Yugoslav diplomacy.

The third illusion is the illusion of our victory. The military conflict really did mean the defeat of the generals' logic, and warned the Army that such as it is, it is a decayed remnant of the past which can collapse at any moment; this does not mean that it is not capable of a massacre at moments when it completely loses its judgment. Consequently, peace, of course, is all the more valuable, and is the only real basis for survival during the upcoming period. It will also make it possible to shift activities to the economic area; this, however, should not prevent concern for Slovene military security.

[Brezovnik] So far you have enumerated primarily criticisms of the EC. In your opinion, what should we do ourselves for economic mobilization during these three months of a "cease-fire"?

[Pintar] The key problem is the halt in production because of the decline in internal buying power, and because of the external severing of economic ties. Consequently, the government ought to increase buying power by printing special coupons that would be paid out in the form of a special 10-percent bonus added to all wages, pensions, and all forms of social assistance. That bonus would increase buying power (demand) by increasing turnover and the turnover tax, and would have a positive effect upon budgetary turnover, and would mean a stimulus to inflation, the greater part of which could be exported to the Yugoslav area. At the same time, this is the only way of compensating for the fact that Serbia and also other republics are doing the same thing through the uncontrolled printing of money and encroachments upon the federal reserves (printing new money, using the printing of money to cover wheat purchases, nonmonetary compensation, and returning worn-out bank notes into circulation).

Our exports are the critical point. The large exporting organizations that have not and cannot adjust to the new way of doing business have given up. The government and the Economic Chamber of Slovenia should formulate a special program for "traveling exporters," who would go to Europe, especially to Italy and Germany, and try to market Slovene products there. If necessary, it would thus also be profitable to limit leave for management, especially experts on export business. It will not be possible to increase exports soon by sitting in offices, however.

The government should not increase taxes on exports, but should increase the turnover of goods. It is necessary to go back to mid-year balance sheets and to the daily collection of taxes. It is necessary to develop a tax police, without restricting economic flows. All of our political diplomacy should furthermore be focused on economic projects as well. The Slovene Ministry for Industry, for example, should actually build Slovene independence. If it is not capable of this, it should be reinforced with experts who also have "weight" and contacts.

[Brezovnik] During the war, Slovenia experienced considerable political unity. In your opinion, what could the parties do, by consultation and agreement, for the well-being of the economy, if at least partial unity among them could be preserved?

[Pintar] With political unity, a suitable basis could be formed in Slovenia for the return to active economic and political life of those very good people whom DEMOS carelessly removed during the past few months, rejecting their knowledge, contacts, and successes. Several experts at the government level (for example, Dusan Sinigoj, Janez Bohoric, Metka Selsek, Uros Slavinc, Herman Rigelnik, and Tomaz Kosir) are quite certainly people

whose mobilization at this time would mean a new impetus for promoting the Slovene economy abroad and establishing ties there.

[Brezovnik] Does that mean that the present government should admit defeat in the economic area and make room for more competent experts?

[Pintar] I am once again compelled to think about the necessity of an expert government. This is not an idea about some sort of government of national salvation, since such a government suppresses the normal activity of parties and parliament. On the contrary, an expert government is necessary precisely in order to reduce parties' pressure on the government, since parliament is the right arena for parties' attempts at persuasion. At the same time, a government freed of that ideological and political pressure would actually be able to react in a technically more perfect manner and more professionally than the present one.

[Brezovnik] What do you most criticize the present government for, and which of its mistakes has most discredited it?

[Pintar] The very latest example, the adoption of the decree on a 30-percent sales tax on consumer goods, just by itself requires the replacement of the present government, in which the party leaders and heads play the principal role, and not professional political practitioners. Only that kind of government could accelerate events on four levels during the next three months, and also for several years to come: the key areas are the Republic of Slovenia's capability for military defense, revitalization of the economy, international activity for Slovenia to establish relations, and prevention of the social disintegration of Slovene society, which would necessarily lead us to the young Slovene state's becoming fascist in one way or another.

[Brezovnik] Actually, the defense part of the government deserves full praise for its activity during the occupation. Through its effectiveness, it completely overshadowed the economic part of the government and the parliament. How do you explain the obvious absence of government representatives from government and also assembly meetings? Should the whole initiative have been left for action by the military crisis headquarters?

[Pintar] If I could interpret that absence as intensive preparation of a new economic development program, through which Slovenia would resist Markovic's federal policy, I would welcome it, but in the past few days it has been obvious that that part of the government, just like the Assembly and the entire opposition, has been virtually excluded from the current events. The result of that is also the fact that we do not have any consistent starting points for economic policy in the upcoming period. In some areas enterprises have not even been informed yet which decisions and laws they are supposed to operate under: republic or federal. That is also proof that the government does not have any control over economic events and that it is not prepared for a conflict with Belgrade's aggressive policy. It is not possible to win

battles against that policy behind the trenches of our own self-infatuation. Because of our cowering behind those trenches, we still do not even have the Assembly negotiating commissions, which were decided upon as early as 9 May.

[Brezovnik] The shadow government has been the only opposition institution that has publicly and vocally supported the idea that Slovenia also needs an army during the phase of the formation of a national state.

[Pintar] During a conference on that problem in the Assembly this May, I decisively advocated the formation of a Slovene army, but on a nonmilitant basis. The past weeks have shown that it was possible to base defensive capability upon territorial defense, which has been present in Slovenia for a full 20 years. It is precisely that successful combination of a new function and a suitable form of organization that goes back 20 years (because of which some people in the past were even expelled from the military hierarchy) that provided exceptional results. That convinces us that the things that are successful did not appear yesterday, but instead have their roots much further back. We can also make use of this experience in building the Slovene state, without forming it as if it had begun on 26 December 1990. We have to base it on the positive elements of all the past 70 years and more.

[Box, p 4]

In our opinion, all sorts of things were transferred to the crisis headquarters. It is wrong that the government virtually excluded the opposition from events and current information. It was included to a very small extent in the teams that received the foreign representatives who took a picture of the true events in the Republic of Slovenia to the world. The delegations would have been much more convincing...

[Box, p 4]

If we want to create a society in which labor and capital (profit and social security) will be in definite accord, we have to develop intensively the institutions of a civil society, which represent a natural obstacle to the promotion of fascist ideas. The state cannot be a guardian of the public interest, or even the one responsible for it; the state can only be a service. So that it will not grow into having a coercive function, it needs control by both political parties and the institutions of a civil society.

**Bank Governor Arhar on Financial Autonomy**

91BA0933A Ljubljana NEODVISNI DNEVNIK  
in Slovene 15 Jul 91 p 4

[Article by Otmar Klipsteter: "Why the Creditors Are Opposed"—first paragraph is NEODVISNI DNEVNIK introduction]

[Text] If our important partners do not accept our program, it will be shaky.

Ljubljana, 15 Jul—Because it is still true that money rules the world, one should also seek the reasons for

foreign opposition to Slovene independence on the financial level; this was very interestingly analyzed at the recent conference of Slovene directors in Radenci (before the military aggression against Slovenia) by Dr. France Arhar, the governor of the Bank of Slovenia, when he talked about the problems of an open door to foreign countries.

"For the time being, we do not know how the creditors' club will react to Slovenia's disassociation," the governor stated. "We are recognizing international agreements, we are aware of the serious responsibilities resulting from them, we know what a solidarity clause is, we know what a set-off clause is, and we know that we are in the hands of those creditors."

He said that the sanctions available to them are generally known, and if we were to draw the blackest possible picture, it could happen that on day X they would start to confiscate our assets in accounts abroad. We hope that reason will prevail in this respect as well, and that the creditors are aware of what kind of weight the emerging Slovene economy has within Yugoslavia, and are aware that its debt is virtually insignificant under normal circumstances if we compare \$1.7 billion with the volume of Slovene exports and with other circumstances that make our economy comparable to the federal economy. If it were in the interest of foreign partners to preserve that cooperation in the future as well, they should naturally seek a certain *modus vivendi*.

We are aware of the argument that foreigners are emphasizing, that the Slovene and Croatian case, or some other one, emerging in Yugoslavia may also be a serious precedent for other cases in the world. Such another case in the world is, above all, the Soviet Union, if in fact a new commercial practice and a new judicial practice are formed in the Yugoslav case, and the formula of solidarity evaporates into parochial formulas of responsibility for individual debts—regardless of Slovenia's expressed willingness to take over its part of the unknown Yugoslav debt.

#### **They Are Worried About the Soviet Union's Debts**

The foreigners, in fact, are warning that in the event that such a case were to become accepted here and gain its place in the sun, tomorrow this could happen in the Soviet Union, since secessionist aspirations are also present there; and the scale of the debt in the case of the Soviet economy is quite different than that of Yugoslavia! "In view of the fact that this year the cost of the Yugoslav debt has already dropped to 32 cents per dollar, if we had the resources and possibilities, we could make a big business out of this—if it were not for that little word 'if...'"

"In talks with foreigners, we have pointed out that we expect equal treatment," the governor announced. "If they sue the Republic of Slovenia, that would already be *de facto* recognition of the new situation, and we, on one hand, would want that *de facto* recognition to be implemented in the international financial market, so that what we might call the Slovene risk would emerge—

instead of the risk for the Balkan region. If that happened, I think the main problems would be over, since if foreign countries realize that it pays off to take a risk in Slovenia and that there are two or more risks in this region, that will be the best proof that the doubt about Slovenia is over, and from that moment on we can hope for assistance in one form or another, and for cooperation with foreign countries."

In the analyses that they are preparing they also want to point out these facts with numbers, Dr. Arhar stated. In this regard, it is already being ascertained today that in the kind of area we are in, probably 60 or even 70 percent of Slovene production will be in foreign trade, since those foreign countries will also include the rest of Yugoslavia. "If, in fact, we do adopt our own money, and they stay with theirs, we will have to have agreements with them—whether it will be clearing payments, or a combination of clearing and convertible payments."

"If we are aware of that fact, and we want to accelerate production for such a high degree of trade, during the initial phase we will have to use undervalued domestic currencies to stimulate the impetus for production and exports," Dr. Arhar predicted. "If this program of ours is not accepted by some of our most important partners, that program will be shaky, and our money will only be paper."

#### **No One Knows When There Will Be Slovene Money**

When we get that far and when the government sets the parameters—what level to keep inflation at, what it thinks about social welfare and the budget...we have to have those points of reference—then we will be able to come before the Slovene public and say what kind of monetary policy we can conduct within the given framework, the governor explained. Then, of course, if necessary we will take such and such an amount of money out of circulation, which will have consequences for production and social welfare. And in that context, the new money could appear.

No one knows when it will happen. To illustrate this, Dr. France Arhar cited the example of Germany: when it was preparing to replace the (prewar and wartime) Reichsmark after World War II, the program for that replacement lay in a drawer for two years, and was only implemented in 1948. Comparison with last year's situation after the unification of Germany is not possible. "We told Markovic that a third country cannot ensure convertibility for us. Specifically, his thesis that if we adopt suitable conditions in Yugoslavia the EC will provide financial assistance and dinar convertibility is not valid. We explained to him that only East Germany has been that fortunate, because West Germany brought it good money—at what cost, they know best. We do not have such fortune—or misfortune, however one considers it, of course—and consequently we have to proceed on the basis of our own resources, and our own destiny in this economic area."

"I am neither too much of an optimist, nor too much of a pessimist," Dr. France Arhar said about the future, and

in support of optimism, he cited the results of this year's analysis by the institute in Kiel, which compared three states in Eastern Europe—Poland, Czechoslovakia, and Hungary—and investigated when those states ought to reach the so-called European standard of living. They wrote that in Czechoslovakia, those who are older than 25 should forget about that goal, because they think that 30 years will be needed for them to achieve the standard

of living that Spain has today. "I think that the situation here is different, and that the organization of enterprises, management, and everything else is also different than in the three above-mentioned states; nevertheless, the road will not be a short one here either, and I think that realistically it will be at least 10 years before we reach a road that is paved in approximately the same way as the roads in the EC."

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